

# **CITY OF uMHLATHUZE**



## **ANNUAL FINANCIAL STATEMENTS for the year ended 30 JUNE 2012**

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# REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON UMHLATHUZE MUNICIPALITY

## REPORT ON THE FINANCIAL STATEMENTS

### Introduction

1. I have audited the financial statements of the uMhlathuze Municipality set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2012, the statement of financial performance, statement of changes in net assets and the cash flow statement for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting Officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and the requirements of the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2011 (Act No. 6 of 2011) (DoRA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-General's responsibility

3. My responsibility is to express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the municipality's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the uMhlathuze Municipality as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with the SA Standards of GRAP and the requirements of the MFMA and DoRA.

## **Emphasis of matters**

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## **Restatement of corresponding figures**

8. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2011 have been restated as a result of an error discovered during 2012 in the financial statements of the uMhlathuze Municipality at, and for the year ended, 30 June 2011.

## **Material losses**

9. As disclosed in note 25 to the financial statements, the municipality has incurred material losses relating to water and electricity amounting to R16, 047 million and R123, 486 million, respectively.

## **Additional matter**

10. I draw attention to the matter below. My opinion is not modified in respect of this matter.

## **Unaudited supplementary schedules**

11. The supplementary schedules set out on pages XX to XX do not form part of the financial statements and are presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

12. In accordance with the PAA and the *General Notice* issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

## **Predetermined objectives**

13. I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages ... to ... of the annual report.
14. The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National

Treasury annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (i.e. well defined, verifiable, specific, measurable and time bound) and relevant as required by the *National Treasury Framework for managing programme performance information*.

The reliability of the information in respect of the selected programmes is assessed to determine whether it adequately reflects the facts (i.e. whether it is valid, accurate and complete).

## **Usefulness of information**

### **Consistency**

#### **Changes to targets not approved**

15. A total of 33% of targets reported in the annual performance report were inconsistent with the targets as per the approved Integrated Development Plan due to the significant changes in budgeted figures which were presented to council in February 2012.

## **Compliance with laws and regulations**

16. I performed procedures to obtain evidence that the municipality has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the *General Notice* issued in terms of the PAA are as follows:

## **Procurement and contract management**

17. Awards were made to suppliers whose members were persons in service of other state institutions, contrary to the requirements of regulation 44 of the Municipal Supply Chain Management Regulations of 30 May 2005 (MSCM).

## **Internal control**

18. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the annual performance report and the findings on compliance with laws and regulations included in this report.

## **Leadership**

19. The accounting officer did not exercise effective oversight responsibility to ensure that the municipality complies with laws and regulations applicable to the approval of the changes in the Integrated Development Plan.

## Financial and performance management

20. Systems and controls were not designed in a manner to prevent, detect and address risks that impact on the performance reporting and compliance with the Municipal SCM regulations.

*Auditor-General*

Pietermaritzburg

30 November 2012



**AUDITOR - GENERAL**  
**SOUTH AFRICA**

*Auditing to build public confidence*

## **STATEMENT OF THE MUNICIPAL MANAGERS RESPONSIBILITY**

### **City of uMhlathuze ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

The uMhlathuze Municipality situated at 5 Mark Strasse, Richards Bay is a category B municipality, established in terms of section 12 (1) of the Municipal Structures Act, No 117 of 1998 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government operations of the Municipality are assigned by section 156 and 229 of the South African Constitution and defined specifically in terms of section 83 of the Municipal Structures

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 62, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

  
\_\_\_\_\_  
**DR NJ SIBEKO**  
**CITY MANAGER**

31/8/2012  
**DATE**

**CITY OF UMHLATHUZE**

**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012**

	<b>Notes</b>	<b>2012</b> <b>R</b>	<b>RESTATED</b> <b>2011</b> <b>R</b>
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net assets</b>		<b>3 425 300 921</b>	<b>3 572 582 129</b>
Housing Development Fund	1	56 847 524	54 279 060
Accumulated surplus		3 368 453 397	3 518 303 069
<b>Non-current liabilities</b>		<b>950 853 599</b>	<b>939 627 765</b>
Long-term liabilities	2	732 521 599	750 236 765
Post employment medical aid benefits	29	218 332 000	189 391 000
<b>Current liabilities</b>		<b>439 206 671</b>	<b>361 281 804</b>
Consumer deposits	3	38 919 254	36 559 057
Trade and other payables	4	237 710 786	200 719 148
Provisions	30	20 270 069	18 328 622
Unspent conditional grants and receipts	5	47 515 600	24 469 778
Current portion of long-term liabilities	2	94 790 962	81 205 199
<b>Total Net Assets and Liabilities</b>		<b>4 815 361 190</b>	<b>4 873 491 698</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>4 376 821 862</b>	<b>4 604 291 733</b>
Property, plant and equipment	8	4 235 833 820	4 472 356 581
Investment property	10	131 801 849	123 516 467
Intangible assets	9	8 671 607	7 841 884
Heritage assets	8	68 702	68 702
Non-current receivables	12	445 884	508 099
<b>Current assets</b>		<b>438 539 328</b>	<b>269 199 965</b>
Inventory	7	65 424 644	81 263 233
Trade receivables	11	185 750 252	127 853 867
Other receivables	13	22 276 719	15 713 609
VAT	6	7 716 708	4 559 829
Call investment deposits	14	80 000 000	-
Current portion of long-term receivables	12	157 272	250 540
Bank balances and cash	14	77 213 733	39 558 887
<b>Total Assets</b>		<b>4 815 361 190</b>	<b>4 873 491 698</b>



**CITY OF uMHLATHUZE**

**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2012**

	<b>Notes</b>	<b>2012 R</b>	<b>2011 R</b>
<b>REVENUE</b>			
Property rates	15	204 613 796	178 078 013
Service charges	16	1 206 759 627	987 889 876
Rental of facilities and equipment		16 132 869	10 901 303
Interest earned - external investments		4 012 177	2 564 696
Interest earned - outstanding debtors		1 639 381	1 284 116
Fines		3 004 784	1 645 326
Licences and permits		1 831 263	1 867 168
Income for agency services		5 922 207	4 602 828
Government grants and subsidies	17	231 543 392	202 775 860
Public contributions		644 188	1 370 360
Other income	18	31 611 923	42 397 171
Gains on sale of land		5 857 088	2 187 405
Gains on disposal of property, plant and equipment		-	162 463
<b>Total Revenue</b>		<b>1 713 572 695</b>	<b>1 437 726 585</b>
<b>EXPENDITURE</b>			
Employee related costs	19	393 064 515	361 199 470
Remuneration of Councillors	20	15 863 285	14 587 064
Bad debts	11	3 000 000	2 310 145
Collection costs		56 956	10 132
Depreciation	8,10	299 567 639	284 080 136
Amortisation	9	1 333 078	3 843 092
Post employment benefits expenses	29	28 941 000	38 794 000
Conditional grant expenditure		7 744 926	5 025 682
Repairs and maintenance		40 270 918	37 078 117
Finance costs	21	82 480 951	88 507 547
Bulk purchases	22	834 000 556	649 530 822
Contracted services		83 808 772	84 678 517
Grants and subsidies paid	23	1 177 025	1 144 427
General expenses	35	69 544 278	60 142 045
<b>Total Expenditure</b>		<b>1 860 853 900</b>	<b>1 630 931 196</b>
<b>SURPLUS/(DEFICIT) FOR THE YEAR (Refer to statement of changes in net assets)</b>		<b>(147 281 205)</b>	<b>(193 204 611)</b>

Refer to Note 39 and Appendix E (1) for the comparison with the approved budget

CITY OF uMHLATHUZE

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Housing Development Fund R	Accumulated Surplus R	Total R
<b>2011</b>				
Balance at 30 June 2010		59 082 967	3 658 923 699	3 718 006 667
Inventory land not brought in previous year			-	-
Correction of inventory water opening balance			(527 880)	(527 880)
Inventory land not brought into account previous year			14 940 150	14 940 150
Correction of accumulated depreciation			(317 444 013)	(317 444 013)
Change in accounting estimate			46 431 141	46 431 141
Correction of cost recognised in prior periods			284 245 594	284 245 594
Restated balance		<b>59 082 967</b>	<b>3 686 568 691</b>	<b>3 745 651 659</b>
Surplus / (deficit) for the year		(4 803 907)	(193 204 611)	(193 204 611)
Transfer to Housing Development Fund			4 803 907	-
<b>Balance at 30 June 2011</b>		<b>54 279 060</b>	<b>3 498 167 984</b>	<b>3 552 447 049</b>
<b>2012</b>				
Balance at 30 June 2011		54 279 060	3 498 167 984	3 552 447 049
Inventory land not brought into account previous year	32		7 371 930	7 371 930
Correction of depreciation	32		12 763 155	12 763 155
Restated balance		<b>54 279 060</b>	<b>3 518 303 069</b>	<b>3 572 582 133</b>
Surplus / (deficit) for the year			(147 281 205)	(147 281 205)
Transfer to Housing Development Fund		2 568 465	(2 568 465)	-
<b>Balance at 30 June 2012</b>		<b>56 847 524</b>	<b>3 368 453 397</b>	<b>3 425 300 921</b>

# CITY OF uMHLATHUZE

## CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 R	2011 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		1 670 364 645	1 416 751 039
Cash paid to suppliers and employees		<u>(1 396 522 437)</u>	<u>(1 190 717 167)</u>
Cash generated from operations	24	273 842 208	226 033 872
Interest received		4 012 177	2 564 696
Interest paid		<u>(82 480 951)</u>	<u>(88 507 547)</u>
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		<u><u>195 373 434</u></u>	<u><u>140 091 021</u></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(75 311 486)	(85 895 525)
Proceeds on disposal of property, plant and equipment		-	162 463
Increase in current investments		(80 000 000)	-
Decrease in non-current receivables		155 483	230 045
<b>NET CASH UTILISED FROM INVESTING ACTIVITIES</b>		<u><u>(155 156 003)</u></u>	<u><u>(85 503 017)</u></u>
<b>CASH FLOWS UTILISED FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		78 000 000	-
Repayment of borrowings		<u>(80 562 587)</u>	<u>(75 270 962)</u>
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<u><u>(2 562 587)</u></u>	<u><u>(75 270 962)</u></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		37 654 845	(20 682 958)
<b>Cash and cash equivalents at the beginning of the year</b>		<u>39 558 887</u>	<u>60 241 845</u>
<b>Cash and cash equivalents at the end of the year</b>	14	<u><u>77 213 733</u></u>	<u><u>39 558 887</u></u>

**CITY OF UMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012**

**1. BASIS OF PRESENTATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 9	Revenue from Exchange Transactions
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 9	Paragraphs relating to Revenue from Non-Exchange Transactions
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 102	Intangible Assets
IPSAS 20	Related Party Disclosure
IPSAS 21	Impairment of Non Cash-Generating Assets
IFRS 7	Financial Instruments: Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments: Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRIC 4	Determining whether an arrangement contains a lease

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

**2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand. The figures are rounded off to the nearest thousand.

**3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**4. OFFSETTING**

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

**5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) – effective 01 April 2012
- GRAP 24 Presentation of Budget Information in Financial Statements – effective 01 April 2012
- GRAP 103 Heritage Assets – effective 01 April 2012

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

Management has considered all the of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the Municipality.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

**6. PROPERTY, PLANT AND EQUIPMENT**

**6.1 INITIAL RECOGNITION**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its' acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the Municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**6.2 SUBSEQUENT MEASUREMENT**

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost), less accumulated depreciation and accumulated impairment losses.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

**6.2 SUBSEQUENT MEASUREMENT (continued)**

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

**6.3 DEPRECIATION**

Land is not depreciated as it is regarded as having an infinite life. Heritage assets are also not depreciated. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

	<b>Years</b>		<b>Years</b>
<b>Infrastructure</b>		<b>Other</b>	
Roads and Paving	15-65	Buildings	30
Pedestrian Malls	30	Specialised vehicles	10
Electricity	20-30	Other vehicles	3-7
Water	15-65	Office equipment	3-5
Sewerage	15-50	Furniture and fittings	7
Housing	30	Watercraft	15
<b>Community</b>		Bins and containers	5-10
Buildings	30	Specialised plant and equipment	10-15
Recreational Facilities	20-30	Other items of plant and equipment	2-5
Security	5		

The assets residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted retrospectively if appropriate, at each reporting date.

**7. LEASES**

**The Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease expenses are recognised on a straight-line basis over the lease term.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

**7. LEASES (continued)**

**The Municipality as Lessor**

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**8. IMPAIRMENT OF NON-FINANCIAL ASSETS**

**Impairment of Cash generating assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount.

The recoverable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

**Impairment of Non-cash generating assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the serviceable amount.

The serviceable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

**9. INTANGIBLE ASSETS**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Internally generated intangible assets are subject to strict recognition criteria before they are capitalised.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an intangible asset is amortised over the useful life of 3 years.



**CITY OF UMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

**9. INTANGIBLE ASSETS (continued)**

An intangible asset is derecognised when it is permanently withdrawn from use and no future economic benefit or service potential is derived from it.

**10. INVESTMENT PROPERTIES**

Investment property, which is property held to earn rental revenue or for capital appreciation, is, stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated on cost, using the straight-line method over the useful life of the property. Vacant land held under investment properties is not depreciated.

An investment property is derecognised upon disposal, or when it is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included in surplus or deficit in the period of the retirement or disposal.

**11. INVENTORIES**

Consumable stores, raw materials, work-in-progress and finished goods and land held for sale are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Unsold water at year-end is valued at the lower of cost and net realizable value.

For the land component recognised in terms of GRAP 12 land is recognised at cost with the cost based on fair value at date of recognition. Assessing historical cost of land and then breaking it down into individual was impractical and inaccurate. The 2007/8 valuation of land in terms of the MPRA, which is very reliable, was used to determine cost.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

**12. REVENUE RECOGNITION**

**12.1 REVENUE FROM EXCHANGE TRANSACTIONS**

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards is deferred and recognised as revenue on the consumption basis, commencing on date of purchase.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied.

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

**12.1 REVENUE FROM EXCHANGE TRANSACTIONS (continued)**

Interest and rentals are recognised on a time apportionment basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariffs. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution has been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

**12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS**

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognised when such items or property, plant and equipment are brought into use. Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**13. CONDITIONAL GRANTS AND RECEIPTS**

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

**14. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

**CITY OF UMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

**15. HOUSING DEVELOPMENT FUND**

Housing selling schemes, both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. All proceeds from housing developments, which include rental income and sales of houses, is paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund are used to finance housing developments within the municipal area.

**16. RETIREMENT BENEFITS**

The Municipality provides post retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

The Expected costs of these benefits are accrued of the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized immediately in the statement of financial performance for the reporting period.

The Defined benefit obligations are valued annually by independent qualified actuaries.

**17. BORROWING COSTS**

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

**18. FINANCIAL INSTRUMENTS**

**18.1 INITIAL RECOGNITION**

Financial instruments are initially recognised at fair value. The municipality recognises a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

**18.2 SUBSEQUENT MEASUREMENT**

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

**18.2 SUBSEQUENT MEASUREMENT (continued)**

**18.2.1 INVESTMENTS**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorized as either held-to-maturity where the criteria for that categorization are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

**18.2.2 TRADE AND OTHER RECEIVABLES**

Trade and other receivables are categorized as financial assets: loans and receivables and recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probabilities that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

**18.2.3 TRADE PAYABLES AND BORROWINGS**

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. Amounts that are payable within 12 months from the reporting date are classified as current.

**18.2.4 CASH AND CASH EQUIVALENTS**

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdraft.

Bank overdrafts are recorded based on the facility used. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities.

**CITY OF uMHLATHUZE**  
**ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2012 (continued)**

**19. UNAUTHORISED EXPENDITURE**

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**20. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**21. FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**22. COMPARATIVE INFORMATION**

**22.1 *Current year comparatives:***

Budgeted amounts have been included in the annual financial statements for the current financial year only.

**22.2 *Prior year comparatives:***

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<b>1 HOUSING DEVELOPMENT FUND</b>		
The Housing Development Fund is represented by the following assets		
Fixed Assets	48 327 919	49 447 755
Bank and cash	19 162 487	8 704 146
Accumulated Surplus	(10 642 882)	(3 872 841)
<b>Total Housing Development Fund Assets and Liabilities</b>	<b>56 847 524</b>	<b>54 279 060</b>

**2 LONG-TERM LIABILITIES**

Annuity Loans	827 312 561	831 441 964
Less: Current portion transferred to current liabilities	(94 790 962)	(81 205 199)
<b>Total External Loans</b>	<b>732 521 599</b>	<b>750 236 765</b>

Refer to Appendix A for more detail on long-term liabilities

CITY OF UMHLA THUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

2 LONG-TERM LIABILITIES (continued)

External Loans repayments- Future years

	DBSA	DBSA	INCA	Standard Bank	Nedbank	INCA	DBSA	DBSA	DBSA	NEDBANK	NEDBANK	Totals
	20 802 113	5 696 415	10 759 207	41 372 085	43 518 286	172 445 554	188 371 768	26 816 567	80 707 200	158 556 948	78 266 418	827 312 561
	12.00%	14.50%	13.95%	7.43%	5.75%	8.75%	11.70%	6.75%	11.57%	11.26%	9.59%	
2013	5 347 477	1 403 464	2 570 621	13 868 896	12 337 728	33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863	177 420 619
2014	5 347 477	1 403 464	2 570 621	13 868 896	12 337 728	33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863	177 420 619
2015	5 347 477	1 403 464	2 570 621	13 868 896	12 337 728	33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863	177 420 619
2016	5 347 477	1 403 464	2 570 621	6 934 448	6 168 864	33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863	164 317 307
2017	5 347 477	1 403 464	2 570 621			33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863	151 213 995
2018		1 403 464	2 570 621			33 473 084	42 207 733	4 871 725	17 142 868	31 894 160	12 302 863	151 213 995
2019	5 347 477		1 298 842			33 473 084	21 103 724	4 871 725	17 142 868	31 894 160	12 302 863	122 087 266
2020										15 947 080	12 302 863	28 249 943
2021											12 302 863	12 302 863
2022											12 302 863	12 302 863

Disclosure about the Terms and Conditions of Financial Instruments-Borrowings

Future payments are based on the balances at 30 June 2012

- (i) The interest rate applicable to the Standard Bank & Nedbank loan is variable and yearly instalments are therefore subject to interest rate risk
- (ii) Lease liability has been settled in full
- (iii) Yearly instalments payable bi-annually, consist of capital redemption and interest due and no other requirements are attached
- No early settlement options are profitable to Council
- Conversion options are not applicable
- There is no security given against the loans
- Receipts or payments of the loans are in South African currency

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<b>3 CONSUMER DEPOSITS</b>		
Electricity and Water	33 906 336	33 278 066
Other	5 012 918	3 280 991
<b>Total Deposits</b>	<b>38 919 254</b>	<b>36 559 057</b>
Guarantees held in lieu of Electricity and Water Deposits	<b>52 001 278</b>	<b>48 405 239</b>
<b>4 TRADE AND OTHER PAYABLES</b>		
Trade payables	53 048 035	52 914 464
Other payables	140 260 968	97 333 290
Retentions	8 563 273	18 259 747
Amounts Received in Advance	35 838 509	32 211 645
<b>Total Creditors</b>	<b>237 710 785</b>	<b>200 719 147</b>
<b>5 UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
<b>Conditional Grants from other spheres of Government</b>		
National Conditional Grants	2 665 831	2 802 880
Provincial Local Government Grants	5 143 536	4 425 862
Provincial Development Planning Grants	54 849	54 849
Provincial Housing Grants	12 080 063	12 578 258
Provincial Library Services Subsidies	126 688	133 991
Provincial Community Development Workers Programme	19 038	19 038
Provincial Department of Transport Subsidy	167 279	167 279
Department of Sport & Recreation	12 666	12 666
Department of Water Affairs (DWAF) Cleanest Town Award	-	41 109
Department of Water Affairs (DWAF) Water Services Programme	205 307	205 307
Department of Water Affairs (DWAF) Refurbishment Grant	70	70
Department of Water Affairs (DWAF) Institutional Support Programme Grant	-	82 398
Department of Water Affairs (DWAF) Water Conservation and Demand Management Grant	1 725 893	1 325 834
Department of Water Affairs (DWAF) Accelerated Infrastructure Programme	75 700	-
Department of Water Affairs (DWAF) Regional Bulk Water Project	1 500 000	-
Department of Minerals and Energy	-	1 174 678
Department of Agriculture and Environmental Affairs	750 691	1 235 555
Municipal Infrastructure Grant (MIG)	22 800 333	-
uThungulu District Municipality Capacity Building Grant	125 285	134 652
uThungulu District Municipality Museum Operating Subsidy	11 849	11 849
uThungulu District Municipality Hosting of Annual SMME Fair	50 522	43 503
uThungulu District Municipality Zulu Dance Competition	-	20 000
	<b>47 515 600</b>	<b>24 469 778</b>

See Note 17 for reconciliation of grants from other spheres of government.



**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>6 VAT</b>		
Output Suspense	8 247 508	6 115 429
Input Suspense	(16 885 002)	(14 346 014)
Output Payable	920 786	3 670 756
<b>VAT (claimable)</b>	<b>(7 716 708)</b>	<b>(4 559 829)</b>

VAT is payable on the payment basis. Only once payment is made or received is VAT claimed or paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>7 INVENTORY</b>		<b>RESTATED</b>
<b>Closing balance of inventories</b>	<b>65 424 644</b>	<b>81 263 233</b>
Consumable stores - at cost	10 409 034	11 484 135
Water - at cost	260 610	249 168
Land	54 755 000	69 529 930

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

8 Property, Plant and Equipment

30 June 2012

Reconciliation Of Carrying Values	Land	Housing	Infrastructure	Community	Heritage	Other	Total
	R	R	R	R	R	R	R
<b>Carrying Values At 1 July 2011</b>	<b>558 833 950</b>	<b>49 447 754</b>	<b>3 439 449 413</b>	<b>214 844 508</b>	<b>68 702</b>	<b>209 780 956</b>	<b>4 472 425 283</b>
Cost	(94 205 857)	72 036 586	2 085 461 937	287 085 059	68 702	428 925 473	2 779 371 900
Revaluation	653 039 807	-	-	-	-	-	653 039 807
Deemed cost	-	-	7 356 245 978	-	-	-	7 356 245 978
Accumulated Depreciation	-	(22 588 832)	(6 002 258 502)	(72 240 551)	-	(219 144 517)	(6 316 232 402)
Acquisitions	-	-	13 541 804	173 460	-	16 902 735	30 617 999
Capital under construction	-	622 772	43 836 536	1 066 678	-	426 496	45 952 482
Transfer to inventory land	(13 503 000)	(46 000)	-	-	-	-	(13 549 000)
Transfer	-	-	14 572 483	(2 505 140)	-	(12 067 343)	-
Transfer of accumulated depreciation	-	-	(3 257 825)	501 536	-	2 756 289	-
Depreciation	-	(1 696 607)	(254 755 712)	(12 006 388)	-	(31 085 535)	(299 544 242)
Based on cost	-	(1 696 607)	(254 755 712)	(12 006 388)	-	(31 085 535)	(299 544 242)
Based on revaluation	-	-	-	-	-	-	-
Carrying Value Of Disposals	-	-	-	-	-	-	-
Cost	-	-	-	-	-	(3 475)	(3 475)
Revaluation	-	-	-	-	-	-	-
Accumulated Depreciation	-	-	-	-	-	3 475	3 475
<b>Carrying Values At 30 June 2012</b>	<b>545 330 950</b>	<b>48 327 919</b>	<b>3 253 386 699</b>	<b>202 074 654</b>	<b>68 702</b>	<b>186 713 598</b>	<b>4 235 902 522</b>
Cost	(94 205 857)	72 613 368	2 157 412 760	285 820 057	68 702	434 183 886	2 855 892 906
Revaluation	639 536 807	-	-	-	-	-	639 536 807
Deemed Cost	-	(24 285 439)	7 356 245 978	(83 745 403)	-	(247 470 288)	7 356 245 978
Accumulated Depreciation	-	(24 285 439)	(6 260 272 039)	(83 745 403)	-	(247 470 288)	(6 615 773 159)
Cost	-	-	(6 260 272 039)	(83 745 403)	-	(247 470 288)	(6 615 773 159)
Revaluation	-	-	-	-	-	-	-

CITY OF UMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Property, Plant and Equipment (continued)

30 June 2011 (Restated)									
Reconciliation Of Carrying Values									
	Land	Housing	Infrastructure	Community	Heritage	Other	Total		
	R	R	R	R	R	R	R		
<b>Carrying Values At 1 July 2010</b>	<b>558 844 950</b>	<b>56 367 703</b>	<b>3 587 896 296</b>	<b>221 607 721</b>	<b>49 502</b>	<b>232 141 888</b>	<b>4 656 908 060</b>		
Cost	(94 205 857)	73 481 810	2 004 839 490	286 211 449	49 502	422 330 377	2 892 706 771		
Revaluation	653 050 807	-	-	-	-	-	653 050 807		
Deemed Cost	-	-	7 356 245 978	-	-	-	7 356 245 978		
Accumulated Depreciation	-	(17 114 107)	(5 773 189 172)	(64 603 728)	-	(190 188 489)	(6 045 095 496)		
<b>Acquisitions</b>	-	-	23 883 791	990 751	19 200	2 654 345	27 548 087		
Capital Under Construction	-	1 418 776	54 153 346	-	-	1 334 091	56 906 213		
Transfer	-	(2 600 000)	2 585 310	(54 141)	-	3 387 919	3 319 088		
Transfer to land inventory	(11 000)	(264 000)	-	(63 000)	-	-	(338 000)		
Transfer from Investment Properties	-	-	-	-	-	-	-		
Transfer of Accumulated Depreciation	-	-	8 802	52 982	-	(72 035)	(10 251)		
Depreciation written back	-	-	9 890 703	2 142 125	-	-	12 032 828		
Depreciation	-	(5 474 725)	(238 968 835)	(9 831 930)	-	(29 665 252)	(283 940 742)		
Based on cost	-	(5 474 725)	(238 968 835)	(9 831 930)	-	(29 665 252)	(283 940 742)		
Based on revaluation	-	-	-	-	-	-	-		
Carrying Value Of Disposals	-	-	-	-	-	-	-		
Cost	-	-	-	-	-	(781 259)	(781 259)		
Revaluation	-	-	-	-	-	-	-		
Accumulated Depreciation	-	-	-	-	-	781 259	781 259		
<b>Carrying Values At 30 June 2011</b>	<b>558 833 950</b>	<b>49 447 754</b>	<b>3 439 449 413</b>	<b>214 844 508</b>	<b>68 702</b>	<b>209 780 956</b>	<b>4 472 425 283</b>		
Cost	(94 205 857)	72 036 586	2 085 481 937	287 085 059	68 702	428 925 473	2 779 371 900		
Revaluation	653 039 807	-	-	-	-	-	653 039 807		
Deemed Cost	-	-	7 356 245 978	-	-	-	7 356 245 978		
Accumulated Depreciation	-	(22 588 832)	(6 002 258 502)	(72 240 551)	-	(219 144 517)	(6 316 232 402)		
Cost	-	(22 588 832)	(6 002 258 502)	(72 240 551)	-	(219 144 517)	(6 316 232 402)		

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**9 Intangible Asset**

**30 June 2012**

<b>Reconciliation Of Carrying Values</b>	<b>Total</b>
	<b>R</b>
<b>Carrying Values</b>	
<b>At 1 July 2011</b>	<b>7 841 884</b>
Cost	15 483 262
Accumulated Amortisation	(7 641 378)
Acquisitions	48 264
Work in progress	2 114 537
Amortisation	(1 333 078)
<b>Carrying Values</b>	
<b>At 30 June 2012</b>	<b>8 671 607</b>
Cost	17 646 063
Accumulated Amortisation	(8 974 456)

**30 June 2011**

<b>Reconciliation Of Carrying Values</b>	<b>Total</b>
	<b>R</b>
<b>Carrying Values</b>	
<b>At 1 July 2010</b>	<b>12 581 047</b>
Cost	17 080 534
Accumulated Amortisation	(4 499 487)
Acquisitions	134 054
Work in progress	1 587 762
Amortisation	(3 843 092)
Transfer to PPE - cost	(3 319 088)
Transfer to PPE - accumulated depreciation	10 247
Reversal of depreciation prior years	690 954
<b>Carrying Values</b>	
<b>At 30 June 2011</b>	<b>7 841 884</b>
Cost	15 483 262
Accumulated Amortisation	(7 641 378)

## CITY OF UMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

## INVESTMENT PROPERTY

30 June 2012

TOWN	STAND NO	DEEDS NO	NAME	USEFUL LIFE	CARRYING VALUES AS AT 01 JULY 2011	COST	ACCUMULATED DEPRECIATION	DEPRECIATION	WORK IN PROGRESS	CARRYING VALUES AS AT 30 JUNE 2012	COST	ACCUMULATED DEPRECIATION
RICHARDS BAY	33	T40385/2001	Harvey J R	-	1 500 000	1 500 000	-	-	-	1 500 000	1 500 000	-
EMPANGENI	45	T29874/1996	Zululand Built-it	-	1 000	1 000	-	-	-	1 000	1 000	-
EMPANGENI	56	T2643/1933	Manila A	-	4 300 000	4 300 000	-	-	-	4 300 000	4 300 000	-
EMPANGENI	63	T2437/1970	Y S Cellular CC	-	2 000 000	2 000 000	-	-	-	2 000 000	2 000 000	-
RICHARDS BAY	67	T40386/2001	Van Rooyen K M	-	1 350 000	1 350 000	-	-	-	1 350 000	1 350 000	-
RICHARDS BAY	GV15825	T12114/1976	Richards Bay Airport Company (PTY) LTD	25	9 680 036	14 749 162	(5 069 126)	(7 626)	8 308 779	17 981 187	23 057 941	(5 076 754)
EMPANGENI	246	G93/1960	Emanzini Leisure Resort	-	1 100 000	1 100 000	-	-	-	1 100 000	1 100 000	-
RICHARDS BAY	617	T22887/2000	Meerensee Mall Scoonies Vier	25	3 675 684	6 663 846	(2 987 962)	-	-	3 675 684	6 663 846	(2 987 962)
RICHARDS BAY	620	T15638/1978	Scoonies Vier (PTY) LTD	-	4 500 000	4 500 000	-	-	-	4 500 000	4 500 000	-
NGWELEZANE	752	T64286/2000	Biyela A S	-	47 000	47 000	-	-	-	47 000	47 000	-
NSELENI	1 342	TG65440/2003	Gumede S M	-	40 000	40 000	-	-	-	40 000	40 000	-
EMPANGENI	2 015	T5367/1980	Mishali D	-	680 000	680 000	-	-	-	680 000	680 000	-
RICHARDS BAY	2 305	G128/1973	Bundu Nursery	-	250 000	250 000	-	-	-	250 000	250 000	-
RICHARDS BAY	5 333	T14569/1979	Grindrod Terminals	-	9 000 000	9 000 000	-	-	-	9 000 000	9 000 000	-
RICHARDS BAY	5 333	T6915/1993	Benians B S Construction	-	1 000 000	1 000 000	-	-	-	1 000 000	1 000 000	-
RICHARDS BAY	5 333	T8915/1993	Benians B S Construction	-	700 000	700 000	-	-	-	700 000	700 000	-
RICHARDS BAY	5 333	T6915/1993	Lease Group 5 Civils	-	860 000	860 000	-	-	-	860 000	860 000	-
RICHARDS BAY	5 333	T6915/1993	Morganite SA (PTY) LTD	-	180 000	180 000	-	-	-	180 000	180 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Gypsum Dam)	-	70 000	70 000	-	-	-	70 000	70 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Retention Dam)	-	250 000	250 000	-	-	-	250 000	250 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Conveyor Belt)	-	75 000	75 000	-	-	-	75 000	75 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Conveyor Belt)	-	500 000	500 000	-	-	-	500 000	500 000	-
RICHARDS BAY	5 333	T4097/2006	Waste Site	-	1 500 000	1 500 000	-	-	-	1 500 000	1 500 000	-
RICHARDS BAY	5 333	T19417/2001	Lease Grindrod Terminals	-	150 000	150 000	-	-	-	150 000	150 000	-
RICHARDS BAY	5 333	T19417/2001	Green Africa Nursery	-	4 500 000	4 500 000	-	-	-	4 500 000	4 500 000	-
RICHARDS BAY	5 333	T19417/2001	Ribeiro L M R	-	240 000	240 000	-	-	-	240 000	240 000	-
RICHARDS BAY	6 364	T4199/1980	Checkers	-	6 100 000	6 100 000	-	-	-	6 100 000	6 100 000	-
EMPANGENI	8 436	T37193/1995	Neliswa Eating House	-	380 000	380 000	-	-	-	380 000	380 000	-
RICHARDS BAY	9 893	T26939/1988	Naicker V	-	530 000	530 000	-	-	-	530 000	530 000	-
RICHARDS BAY	10 033	T28872/1991	LOT 11161 (PTY) LTD	-	56 000 000	56 000 000	-	-	-	56 000 000	56 000 000	-
RICHARDS BAY	11 376	T34219/1993	Pulp United (PTY) LTD	-	1 600 000	1 600 000	-	-	-	1 600 000	1 600 000	-
RICHARDS BAY	11 377	T21885/1993	Maritis Properties CC	-	1 200 000	1 200 000	-	-	-	1 200 000	1 200 000	-
RICHARDS BAY	2 627	T16212/1978	Ferreira M S	-	9 448 505	9 448 505	(1 380 758)	(15 769)	-	8 041 978	9 448 505	(1 406 527)
RICHARDS BAY	GV16990	T789/1999	Imvubu Lodge/River Rock	25	8 057 747	132 964 313	(8 447 846)	(23 397)	8 308 779	131 801 849	141 273 092	(9 471 243)
					123 516 487	132 964 313	(8 447 846)	(23 397)	8 308 779	131 801 849	141 273 092	(9 471 243)

Land held under investment property is not depreciated and thus no useful lives provided.

## CITY OF UMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

## Investment Property (continued)

30 June 2011 (Restated)

TOWN	STAND NO	DEEDS NO	NAME	USEFUL LIVE	CARRYING VALUES AS AT 01 JULY 2010	COST	ACCUMULATED DEPRECIATION	DEPRECIATION WRITTEN BACK (prior years)	DEPRECIATION 30 JUNE 2011	CARRYING VALUES AS AT 30 JUNE 2011	COST	ACCUMULATED DEPRECIATION
RICHARDS BAY	33	T40385/2001	Harvey J R	-	1 500 000	1 500 000	-	-	-	1 500 000	1 500 000	-
EMPANGENI	45	T29874/1996	Zululand Built-It	-	1 000	1 000	-	-	-	1 000	1 000	-
EMPANGENI	56	T2643/1933	Manilali A	-	4 300 000	4 300 000	-	-	-	4 300 000	4 300 000	-
EMPANGENI	63	T2437/1970	Y S Cellular CC	-	2 000 000	2 000 000	-	-	-	2 000 000	2 000 000	-
RICHARDS BAY	67	T40386/2001	Van Rooyen K M	-	1 350 000	1 350 000	-	-	-	1 350 000	1 350 000	-
RICHARDS BAY	GV15825	T12114/1976	Richards Bay Airport Company (PTY) LTD	25	9 781 218	14 749 162	(4 967 944)	15 236	(116 418)	9 660 036	14 749 162	(5 069 126)
EMPANGENI	246	G93/1960	Emanzini Leisure Resort	-	1 100 000	1 100 000	-	-	-	1 100 000	1 100 000	-
RICHARDS BAY	617	T22887/2000	Meerensee Mall Scoonies Vier	25	3 683 658	6 663 646	(2 979 988)	-	(7 975)	3 675 683	6 663 646	(2 987 963)
RICHARDS BAY	620	T15638/1978	Scoonies Vier (PTY) LTD	-	4 500 000	4 500 000	-	-	-	4 500 000	4 500 000	-
NGWELEZANE	752	T64286/2000	Biyela A S	-	47 000	47 000	-	-	-	47 000	47 000	-
NSELENI	1 342	TG65440/2003	Gumede S M	-	40 000	40 000	-	-	-	40 000	40 000	-
EMPANGENI	2 015	T5367/1980	Mtshali D	-	680 000	680 000	-	-	-	680 000	680 000	-
RICHARDS BAY	2 305	G128/1973	Bundu Nursery	-	250 000	250 000	-	-	-	250 000	250 000	-
RICHARDS BAY	5 333	T14569/1979	Grindrod Terminals	-	9 000 000	9 000 000	-	-	-	9 000 000	9 000 000	-
RICHARDS BAY	5 333	T6915/1993	Benians B S Construction	-	1 000 000	1 000 000	-	-	-	1 000 000	1 000 000	-
RICHARDS BAY	5 333	T6915/1993	Benians B S Construction	-	700 000	700 000	-	-	-	700 000	700 000	-
RICHARDS BAY	5 333	T6915/1993	Lease Group 5 Civils	-	860 000	860 000	-	-	-	860 000	860 000	-
RICHARDS BAY	5 333	T6915/1993	Morganrite SA (PTY) LTD	-	180 000	180 000	-	-	-	180 000	180 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Gypsum Dam)	-	70 000	70 000	-	-	-	70 000	70 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Retention Dam)	-	250 000	250 000	-	-	-	250 000	250 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Conveyer Belt)	-	75 000	75 000	-	-	-	75 000	75 000	-
RICHARDS BAY	5 333	T4097/2006	Lease Foskor (Conveyer Belt)	-	500 000	500 000	-	-	-	500 000	500 000	-
RICHARDS BAY	5 333	T4097/2006	Waste Site	-	1 500 000	1 500 000	-	-	-	1 500 000	1 500 000	-
RICHARDS BAY	5 333	T19417/2001	Lease Grindrod Terminals	-	1 500 000	1 500 000	-	-	-	1 500 000	1 500 000	-
RICHARDS BAY	5 333	T19417/2001	Green Africa Nursery	-	150 000	150 000	-	-	-	150 000	150 000	-
RICHARDS BAY	5 333	T19417/2001	Ribeiro L M R	-	4 500 000	4 500 000	-	-	-	4 500 000	4 500 000	-
RICHARDS BAY	6 364	T4199/1980	Checkers	-	240 000	240 000	-	-	-	240 000	240 000	-
EMPANGENI	8 436	T37193/1995	Netiswa Eating House	-	6 100 000	6 100 000	-	-	-	6 100 000	6 100 000	-
RICHARDS BAY	9 893	T26939/1988	Nalcker V	-	380 000	380 000	-	-	-	380 000	380 000	-
RICHARDS BAY	10 033	T28872/1991	LOT 11181 (PTY) LTD	-	530 000	530 000	-	-	-	530 000	530 000	-
RICHARDS BAY	11 376	T34219/1993	Pulp United (PTY) LTD	-	56 000 000	56 000 000	-	-	-	56 000 000	56 000 000	-
RICHARDS BAY	11 377	T21885/1993	Mantis Properties CC	-	1 600 000	1 600 000	-	-	-	1 600 000	1 600 000	-
RICHARDS BAY	2 827	T16212/1978	Ferreira M S	-	1 200 000	1 200 000	-	-	-	1 200 000	1 200 000	-
RICHARDS BAY	GV16990	T789/1999	Imvubu Lodge/River Rock	25	8 048 611	9 448 505	(1 399 894)	24 137	(15 001)	8 057 747	9 448 505	(1 390 758)
					123 616 487	132 964 313	(9 347 826)	39 373	(139 394)	123 516 467	132 964 313	(9 447 847)

Land held under investment propertyless is not depreciated and thus no useful lives provided.

## CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

## 11 TRADE RECEIVABLES

## As at 30 June 2012

	R	R
<b>From exchange transactions</b>		<b>159 174 715</b>
Electricity	38 590 718	
June consumption billed in July	<u>78 820 247</u>	117 410 965
Water	21 986 917	
June consumption billed in July	2 764 052	
June water surcharge billed in July	<u>234 897</u>	24 985 865
Sewerage	10 469 714	
Special Sewer charges	237 686	
June sewer surcharge billed in July	<u>127 966</u>	10 835 366
Refuse		<u>5 942 519</u>
Rental		5 553 751
Sundry		15 653 371
<b>From non-exchange transactions</b>		
Rates		24 868 415
<b>Gross Balance</b>		<b>205 250 252</b>
Less: Provision for Bad Debts		<u>(19 500 000)</u>
<b>Net Balance</b>		<b><u>185 750 252</u></b>

## As at 30 June 2011

<b>From exchange transactions</b>		<b>110 558 636</b>
Electricity	31 574 356	
June consumption billed in July	<u>40 703 753</u>	72 278 109
Water	16 500 253	
June consumption billed in July	10 297 302	
June water surcharge billed in July	<u>224 015</u>	27 021 570
Sewerage	7 104 962	
Special Sewer charges	249 072	
June sewer surcharge billed in July	<u>156 285</u>	7 510 318
Refuse		<u>3 748 638</u>
Rental		3 433 827
Sundry		<u>11 236 778</u>
<b>From non-exchange transactions</b>		
Rates		19 124 627
<b>Gross Balance</b>		<b>144 353 867</b>
Less: Provision for Bad Debts		<u>(16 500 000)</u>
<b>Net Balance</b>		<b><u>127 853 867</u></b>

**CITY OF UMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>11 TRADE RECEIVABLES (Continued)</b>		
<b>Rates Ageing</b>		
Current (0 - 30) days	13 958 686	8 668 651
31 - 60 days	1 754 547	1 743 839
61- 90 days	998 638	824 990
91 - 120 days	659 212	771 913
121-360 days	4 105 197	4 078 901
361 + days	3 392 135	3 036 333
<b>Total</b>	<b>24 868 415</b>	<b>19 124 627</b>
<b>Electricity, Water, Sewerage and Refuse: Ageing</b>		
Current (0 - 30) days	128 448 870	88 451 480
31 - 60 days	6 353 563	3 964 954
61- 90 days	3 633 751	2 270 309
91 - 120 days	2 333 601	1 819 335
121-360 days	8 324 785	6 886 540
361+ days	10 080 146	7 166 018
<b>Total</b>	<b>159 174 715</b>	<b>110 558 636</b>
<b>Rental</b>		
Current (0 - 30) days	770 313	(418 698)
31 - 60 days	182 960	181 728
61- 90 days	170 391	168 945
91 - 120 days	176 732	412 770
121-360 days	1 330 165	1 174 772
361+ days	2 923 190	1 914 310
<b>Total</b>	<b>5 553 751</b>	<b>3 433 827</b>
<b>Sundry</b>		
Current (0 - 30) days	1 967 590	3 737 122
31 - 60 days	2 501 988	394 174
61- 90 days	639 998	(59 947)
91 - 120 days	(348 584)	55 259
121-360 days	5 555 143	2 674 610
361+ days	5 337 236	4 435 559
<b>Total</b>	<b>15 653 370</b>	<b>11 236 778</b>
<b>IFRS 7 Disclosure</b>		
	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
Neither passed due nor impaired	161 381 294	109 927 548
Past due and impaired	19 500 000	16 500 000
Past due not impaired	24 368 957	17 926 319
	<b>205 250 252</b>	<b>144 353 867</b>



**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**11 TRADE RECEIVABLES (Continued)**

**Summary of Debtors by Customer classification**

	<b>Residential</b>	<b>Industry/ commercial</b>	<b>State</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>30 June 2012</b>				
Current (0 - 30) days	40 374 412	100 011 256	8 059 236	148 444 904
31 - 60 days	1 629 913	3 695 823	835 339	6 161 075
61- 90 days	1 270 004	2 075 558	668 269	4 013 832
91 - 120 days	1 284 953	923 445	148 967	2 357 366
121+days	22 488 548	18 259 675	3 524 853	44 273 076
Sub-total	67 047 830	124 965 757	13 236 665	205 250 252
Less provision for bad debt	(6 367 720)	(11 875 157)	(1 257 123)	(19 500 000)
<b>Total debtors by customer classification</b>	<b>60 680 109</b>	<b>113 090 601</b>	<b>11 979 542</b>	<b>185 750 252</b>
<b>30 June 2011</b>				
Current (0 - 30) days	22 019 531	75 269 705	5 805 226	103 094 462
31 - 60 days	1 248 315	1 863 038	178 494	3 289 846
61- 90 days	1 175 211	1 800 387	201 083	3 176 681
91 - 120 days	1 041 197	1 344 739	113 755	2 499 691
121+days	18 026 925	9 826 902	4 439 360	32 293 188
Sub-total	43 511 180	90 104 770	10 737 917	144 353 867
Less provision for bad debt	(10 678 758)	(5 821 242)	-	(16 500 000)
<b>Total debtors by customer classification</b>	<b>32 832 422</b>	<b>84 283 528</b>	<b>10 737 917</b>	<b>127 853 867</b>

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>Reconciliation of the bad debt provision</b>		
Balance at beginning of the year	16 500 000	15 000 000
Contributions to provision	3 000 000	2 310 145
Bad debts written off against provision	-	(810 145)
<b>Balance at end of year</b>	<b>19 500 000</b>	<b>16 500 000</b>

**12 NON-CURRENT RECEIVABLES**

Housing loans to Staff	286 563	306 535
Study loans	316 593	452 104
Bursaries	-	-
	603 156	758 639
Less: Current portion transferred to Current Assets	(157 272)	(250 540)
<b>Total Receivables</b>	<b>445 884</b>	<b>508 099</b>

Housing Loans, car loans and bursaries were made in terms of council policies on these schemes. No new housing or car loans have been granted since the effective implementation date of the Municipal Finance Management Act of 2003. There are no significant terms or conditions that will affect the timeous recovery of these amounts.

## CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<b>13 OTHER RECEIVABLES</b>		
Payments made in advance	477 504	380 493
Other receivables	21 799 215	15 333 116
<b>Total Other Debtors</b>	<b>22 276 719</b>	<b>15 713 609</b>
<b>14 BANK, CASH, CALL INVESTMENTS AND OVERDRAFT BALANCES</b>		
Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts		
Bank balances and cash	77 213 733	39 558 887
<b>Total bank balances and cash</b>	<b>77 213 733</b>	<b>39 558 887</b>
<b>Bank accounts</b>		
The municipality has the following bank accounts:		
<b>Current Account (Primary Account)</b>		
ABSA Bank - Richards Bay		
Current /Cheque Account number 2150000028		
Cash book balance at beginning of year	3 703 818	4 146 118
Cash book balance at end of year	(30 057 643)	3 703 818
Bank statement balance at beginning of year	3 667 775	4 126 202
Bank statement balance at end of year	2 563 073	3 667 775
<b>Deposit Account</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 2150000095		
Cash book balance at beginning of year	5 176 832	2 436 117
Cash book balance at end of year	6 825 965	5 176 832
Bank statement balance at beginning of year	2 827 652	50 000
Bank statement balance at end of year	5 673 566	2 827 652
<b>Hostel Account</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 90 8291 6767		
Cash book balance at beginning of year	4 614 109	6 463 949
Cash book balance at end of year	4 007 144	4 614 109
Bank statement balance at beginning of year	4 614 109	6 463 949
Bank statement balance at end of year	4 007 144	4 614 109
<b>Hostel Account - Phase 2</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 92 3367 4990		
Cash book balance at beginning of year	8 132 035	-
Cash book balance at end of year	8 501 419	8 132 035
Bank statement balance at beginning of year	8 132 035	-
Bank statement balance at end of year	8 501 419	8 132 035

## CITY OF UMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<b>14 BANK, CASH, CALL INVESTMENTS AND OVERDRAFT BALANCES (continued)</b>		
<b>Housing Account - Brackenham</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 91 2361 5121		
Cash book balance at beginning of year	4 535 630	4 331 147
Cash book balance at end of year	4 741 652	4 535 630
Bank statement balance at beginning of year	4 535 630	4 331 147
Bank statement balance at end of year	4 741 652	4 535 630
<b>Housing Account - Ngwelezane</b>		
ABSA Bank - Richards Bay		
Current /Cheque Account number 91 7137 3496		
Cash book balance at beginning of year	1 909 786	1 822 445
Cash book balance at end of year	1 996 534	1 909 786
Bank statement balance at beginning of year	1 909 786	1 822 445
Bank statement balance at end of year	1 996 534	1 909 786
<b>Housing Account - Pionierhof</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 90 9224 7889		
Cash book balance at beginning of year	2 258 731	91 841
Cash book balance at end of year	12 424 301	2 258 731
Bank statement balance at beginning of year	2 258 731	91 841
Bank statement balance at end of year	12 424 301	2 258 731
<b>Conditional Grants</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 91 7137 3917		
Cash book balance at beginning of year	9 196 097	40 121 116
Cash book balance at end of year	38 350 228	9 196 097
Bank statement balance at beginning of year	9 196 097	40 121 116
Bank statement balance at end of year	38 350 228	9 196 097
<b>Carnegie Funding - Libraries</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 92 3367 4990		
Cash book balance at beginning of year	-	795 262
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	795 262
Bank statement balance at end of year	-	-
<b>Capital Replacement Reserve</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 92 7206 8005		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	30 386 158	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	30 386 158	-
<b>Petty Cash</b>		
Balance at beginning of year	31 850	33 850
Balance at end of year	32 550	31 850

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<b>14 BANK, CASH, CALL INVESTMENTS AND OVERDRAFT BALANCES (continued)</b>		
<b>Deposit account</b>		
ABSA Bank - Richards Bay		
Current/Deposit Account number 40 7928 6548		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	5 425	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	5 425	-
<b>Call Investment deposits</b>		
Short-term deposits	80 000 000	-

**15 PROPERTY RATES**

**Actual**

Residential	86 014 039	73 134 671
Commercial	109 186 304	96 727 452
State	9 413 453	8 215 890
<b>Total Assessment Rates</b>	<b>204 613 796</b>	<b>178 078 013</b>

**Property Valuations**

Residential	16 095 913 599	15 983 511 099
Commercial	9 808 656 000	9 484 780 500
State	1 688 788 900	1 670 829 900
Municipal	1 482 899 700	1 529 755 700
<b>Total Property Valuations</b>	<b>29 076 258 199</b>	<b>28 668 877 199</b>

The first valuation in terms of the Property Rates Act No 6 of 2004 came into effect on 01 July 2008. Valuations were performed on land and buildings together. Three supplementary valuations and objections in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

<b>Predominant Use</b>	<b>Rate Randage</b>	<b>Ratio to Residential Tariff</b>
Residential Properties	0.00674	1:1
Business, Commercial and Industrial Properties and Agricultural Properties	0.01348	1:2
Agricultural Properties (business)	0.00169	1:0,25
State Trust land	0.01348	1:2
State Owned Properties	0.00674	1:1
Public Service Infrastructure	0.00674	1:1
	0.00169	1:0,25

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
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## 15 PROPERTY RATES (continued)

Subject to the provisions contained in the Rate Policy and upon application the following rebates were applied:

Agricultural Properties - 5%  
Public Benefit Organisations - 100%  
Sporting Bodies - 100%  
Pensioners - R100 000 Valuation Reduction on primary developed property

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R60 000 of the valuation on all developed residential properties with < R375 000 was made.

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis, is 30 September of each year and 30 June for monthly rate payers. Interest of prime plus 1% per annum is levied on outstanding rates.

## 16 SERVICE CHARGES

Sale of electricity	966 962 029	765 730 718
Sale of water	129 263 197	123 848 457
Surcharge on water	4 744 805	4 511 328
Refuse removal	46 088 020	39 043 949
Sewerage and sanitation charges	59 701 576	54 755 424
<b>Total Service Charges</b>	<b>1 206 759 627</b>	<b>987 889 876</b>

An amount of R7 519 048.52 received in respect of prepaid electricity sales has been deferred and transferred to amounts received in advance.

## 17 GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	161 782 000	145 628 619
National Conditional Grants	2 249 050	2 210 821
Provincial Health Subsidies	4 804 000	4 527 000
Provincial Local Government Grants	8 754 334	344 302
Provincial Development Planning Grants	-	54 978
Provincial Housing Grants	912 177	2 132 636
Provincial Library Service Subsidies	3 389 504	726 611
Provincial Museum Services Subsidies	125 000	74 000
Provincial Community Development Workers Programme	-	231
Department of Sport and Recreation	-	56 490
Department of Water Affairs - Cleanest Town Award	41 109	410
Department of Water Affairs - Water Services Programme	-	26 548
Department of Water Affairs - Refurbishment Grant	-	3 743 600
Department of Water Affairs (DWAF) Water Conservation and Demand	599 941	779 168
Department of Water Affairs - Institutional Support Programme Grant	(200 602)	201 180
Department of Water Affairs - Accelerated Infrastructure Programme	4 134 300	-
Department of Agriculture and Environmental Affairs	484 863	70 399
Department of Minerals and Energy	(2 775 322)	2 775 320
Municipal Infrastructure Grant	42 870 972	38 084 382

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
uThungulu District Municipality Environmental Health service	4 342 698	1 319 418
uThungulu District Municipality Capacity Building Grants	9 367	-
uThungulu District Municipality Museum Operating Subsidy	-	19 200
uThungulu District Municipality Hosting of Annual SMME Fair	-	547
uThungulu District Municipality Zulu Dance Competition	20 000	-
<b>Total Government Grants and Subsidies</b>	<b>231 543 391</b>	<b>202 775 860</b>

### 17.1 Equitable Share

In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services

### 17.2 National Conditional Grants

Balance unspent at beginning of year	2 802 880	3 063 701
Current year receipts	2 112 000	1 950 000
Conditions met - transferred to revenue	(2 249 050)	(2 210 821)
Conditions still to be met - transferred to liabilities	<b>2 665 830</b>	<b>2 802 880</b>

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote support reforms to financial management and the implementation of the Municipal Finance Management Act. The Restructuring Grant received in 2002, 2003, 2004 from National Treasury has been earmarked for certain projects that will improve the local economy. The Municipal Systems Improvement Grant is used to assist in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act.

### 17.3 Provincial Health Subsidies

Balance unspent at beginning of year	-	-
Current year receipts	4 804 000	4 527 000
Conditions met - transferred to revenue	(4 804 000)	(4 527 000)
Conditions still to be met - transferred to liabilities	-	-

The municipality renders health services on behalf of the Provincial Government and is refunded approximately 35% of total expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There were no delay or withholding of the subsidy.

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>17.4 Provincial Local Government Grants</b>		
Balance unspent at beginning of year	4 425 862	1 012 164
Current year receipts	9 472 008	3 758 000
Conditions met - transferred to revenue	(8 754 334)	(344 302)
Conditions still to be met - transferred to liabilities	<u><b>5 143 536</b></u>	<u><b>4 425 862</b></u>

Provincial Local Government grants are used to implement, administrative and financial municipal framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government.

**17.5 Provincial Development Planning Grants**

Balance unspent at beginning of year	54 849	109 827
Current year receipts	-	-
Conditions met - transferred to revenue	-	(54 978)
Conditions still to be met - transferred to liabilities	<u><b>54 849</b></u>	<u><b>54 849</b></u>

Provincial Local Government grants are used to implement, administrative and financial municipal framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government.

**17.6 Provincial Housing Grants**

Balance unspent at beginning of year	12 429 819	6 180 261
Current year receipts	-	8 000 000
Conditions met - transferred to revenue	(912 177)	(2 132 636)
Interest Received	562 420	382 194
Conditions still to be met - transferred to liabilities	<u><b>12 080 062</b></u>	<u><b>12 429 819</b></u>

Provincial Housing grants were allocated to assist in the refurbishment of various hostels. The grants are spent in accordance with a business plan approved by the Provincial Government. Funds were also provided for the Municipality to implement the Enhanced Extended Discount Benefit Scheme. No funds have been withheld.

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>17.7 Provincial Library Services Subsidies</b>		
Balance unspent at beginning of year	133 991	156 064
Current year receipts	3 246 604	558 000
Conditions met - transferred to revenue	(3 253 907)	(580 073)
Conditions still to be met - transferred to liabilities	<u><b>126 688</b></u>	<u><b>133 991</b></u>

Provincial Library Grants were allocated to subsidise the purchase of equipment for various libraries. A subsidy was also received to assist in the construction of the Empangeni Library Study Hall. Funds were also provided to refurbish the old community hall at Felixton into a library. Further funding was also received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

**17.8 Provincial Library Services Subsidies**

Balance unspent at beginning of year	-	-
Current year receipts	135 597	146 538
Conditions met - transferred to revenue	(135 597)	(146 538)
Conditions still to be met - transferred to liabilities	<u><b>-</b></u>	<u><b>-</b></u>

Provincial Library Services donated assets to Council

**17.9 Provincial Museum Services Subsidies**

Balance unspent at beginning of year	-	-
Current year receipts	125 000	74 000
Conditions met - transferred to revenue	(125 000)	(74 000)
Conditions still to be met - transferred to liabilities	<u><b>-</b></u>	<u><b>-</b></u>

Department of the Premier allocates a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.

**17.10 Provincial Community Development Workers Programme**

Balance unspent at beginning of year	19 038	19 269
Current year receipts	-	-
Conditions met - transferred to revenue	-	(231)
Conditions still to be met - transferred to liabilities	<u><b>19 038</b></u>	<u><b>19 038</b></u>

Department of Local Government and Traditional Affairs allocated funds to Council for the administration the Community Development Workers Programme. No funds have been withheld.



**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>17.11 Provincial Department of Transport Subsidy</b>		
Balance unspent at beginning of year	167 279	167 279
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	<u>167 279</u>	<u>167 279</u>

Provincial Department of Transport provided for a subsidy for Pedestrian Safety Project. Provincial Department of Transport Subsidy for the reimbursement of expenses paid for the relocation of the Empangeni Licensing Offices. No funds have been withheld.

**17.12 Department of Water Affairs (DWAF) Cleanest Town Award**

Balance unspent at beginning of year	41 109	41 519
Current year receipts	-	-
Conditions met - transferred to revenue	(41 109)	(410)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>41 109</u>

Department of Water Affairs Cleanest Town Award. Funds will be used on a recycling project. No funds have been withheld.

**17.13 Department of Water Affairs (DWAF) Water Services Programme**

Balance unspent at beginning of year	205 307	231 855
Current year receipts	-	-
Conditions met - transferred to revenue	-	(26 548)
Conditions still to be met - transferred to liabilities	<u>205 307</u>	<u>205 307</u>

Department of Water Affairs Sector Institutional Support and Capacity Building Initiatives in support of Water Services Authority and Water Service Provider functions. The grants are spent in accordance with an approved business proposal.

**17.14 Department of Water Affairs (DWAF) Refurbishment Grant**

Balance unspent at beginning of year	70	3 743 670
Current year receipts	-	-
Conditions met - transferred to revenue	-	(3 743 600)
Conditions still to be met - transferred to liabilities	<u>70</u>	<u>70</u>

Department of Water Affairs Refurbishment Grant and Subsidy for Water Services Works. The grant is spent in accordance with an approved business plan.

## CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>17.15 Department of Water Affairs (DWAF) Institutional Support Programme Grant</b>		
Balance unspent at beginning of year	82 398	283 578
Current year receipts	-283 000	-
Conditions met - transferred to revenue	200 602	(201 180)
Conditions still to be met - transferred to liabilities	-	82 398
Department of Water Affairs Support Project Grant for Institutional Support and Capacity Building. The grant is spent in accordance with an approved business plan.		
<b>17.16 Department of Water Affairs (DWAF) Water Conservation and Demand Management Grant</b>		
Balance unspent at beginning of year	1 325 834	1 105 002
Current year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(599 941)	(779 168)
Conditions still to be met - transferred to liabilities	1 725 893	1 325 834
Department of Water Affairs Water Conservation and Demand Management grant in support of capacity building and institutional support. The grant is spent in accordance with an approved business plan.		
<b>17.17 Department of Water Affairs (DWAF) Accelerated Infrastructure Programme</b>		
Balance unspent at beginning of year	-	-
Current year receipts	4 210 000	-
Conditions met - transferred to revenue	(4 134 300)	-
Conditions still to be met - transferred to liabilities	75 700	-
Department of Water Affairs Accelerated Infrastructure Programme grant in support of the refurbishment and upgrade at the Esikhaleni Waste Water Treatment plant. The grant is spent in accordance with an approved business plan.		
<b>17.18 Department of Water Affairs (DWAF) Regional Bulk Water Projects</b>		
Balance unspent at beginning of year	-	-
Current year receipts	1 500 000	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	1 500 000	-
Department of Water Affairs Regional Bulk Water Projects grant in support of the installation of bulk pipelines to supply areas where there is a lack of water supply.		
<b>17.19 uThungulu District Municipality Environmental Health Costs</b>		
Balance unspent at beginning of year	-	-
Current year receipts	4 342 698	1 319 418
Conditions met - transferred to revenue	(4 342 698)	(1 319 418)
Conditions still to be met - transferred to liabilities	-	-

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>17.20 uThungulu District Municipality Capacity Building Grant</b>		
Balance unspent at beginning of year	134 652	134 652
Current year receipts	-	-
Conditions met - transferred to revenue	(9 367)	-
Conditions still to be met - transferred to liabilities	<u>125 285</u>	<u>134 652</u>
uThungulu District Council allocated funds for capacity building grants. No funds have been withheld.		
<b>17.21 uThungulu District Municipality Museum Operating Subsidy</b>		
Balance unspent at beginning of year	11 849	31 049
Current year receipts	-	-
Conditions met - transferred to revenue	-	(19 200)
Conditions still to be met - transferred to liabilities	<u>11 849</u>	<u>11 849</u>
uThungulu District Council allocated a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.		
<b>17.22 uThungulu District Council - Hosting of Annual SMME Fair</b>		
Balance unspent at beginning of year	43 503	-
Current year receipts	5 000	44 050
Conditions met - transferred to revenue	-	(547)
Conditions still to be met - transferred to liabilities	<u>48 503</u>	<u>43 503</u>
uThungulu District Council donated assets inherited from United Nations Development Programme.		
<b>17.23 uThungulu District Council - Zulu Dance Competition</b>		
Balance unspent at beginning of year	20 000	-
Current year receipts	-	20 000
Conditions met - transferred to revenue	(20 000)	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>20 000</u>
uThungulu District Council donated assets inherited from United Nations Development Programme.		

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>

**17 GOVERNMENT GRANTS AND SUBSIDIES (continued)**

**17.24 Department of Agriculture and Environmental Affairs**

Balance unspent at beginning of year	1 235 554	790 953
Current year receipts	-	515 000
Conditions met - transferred to revenue	(484 863)	(70 399)
Conditions still to be met - transferred to liabilities	<u>750 691</u>	<u>1 235 554</u>

Department of Agriculture and Environmental affairs provided a subsidy for a recycling project. The grants are spent in accordance with an approved business proposal.

**17.25 Department of Minerals & Energy**

Balance unspent at beginning of year	1 174 678	3 950 000
Current year receipts	(3 950 000)	-
Conditions met - transferred to revenue	<u>2 775 322</u>	<u>(2 775 322)</u>
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>1 174 678</u>

Department of Minerals and Energy in support of Electrification Projects. The grants are spent in accordance with an approved business proposal.

**17.26 Department of Sport and Recreation**

Balance unspent at beginning of year	12 666	69 156
Current year receipts	-	-
Conditions met - transferred to revenue	-	(56 490)
Conditions still to be met - transferred to liabilities	<u>12 666</u>	<u>12 666</u>

Funds were received for the upgrade of the Vulindlela Sports Facility. The grants are spent in accordance with an approved business proposal.

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>17 GOVERNMENT GRANTS AND SUBSIDIES (continued)</b>		
<b>17.27 Municipal Infrastructure Grant (MIG)</b>		
Balance unspent at beginning of year	-	20 439 958
Current year receipts	71 404 000	22 809 000
Conditions met - transferred to revenue	(42 870 972)	(38 084 382)
Conditions met - transferred to own revenue (ex migvat)	(5 732 695)	(5 164 576)
Conditions still to be met - transferred to liabilities	<u>22 800 333</u>	<u>-</u>

This grant was used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

**17.26 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, (Act No.2 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years. The Provincial Department of Health plans to take over the Municipal Primary Health care services. A Service Level Agreement has been signed with Province so that service delivery can be maintained.

**18 OTHER INCOME**

Building Plans	1 175 896	996 841
Extension Fees	10 098 444	13 034 734
Connection Fees	2 091 619	6 439 014
MIG Vat Revenue	5 732 695	5 164 576
Reconnection Fees	3 829 998	3 053 789
Licence Drivers	1 851 892	1 399 508
Sundries	6 825 180	12 257 617
Stock Surplus	6 200	51 092
<b>Total Other Income</b>	<u>31 611 923</u>	<u>42 397 171</u>

**19 EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages	238 576 663	219 352 957
Employee related costs - Contributions for UIF, pensions and medical aids	65 246 008	58 880 829
Travel, motor car, accommodation, subsistence and other allowances	44 172 431	40 255 332
Housing benefits and allowances	3 755 078	4 148 476
Overtime payments	31 214 678	29 885 127
Leave Payments	9 196 022	6 429 546
Cellphone allowance	1 024 864	800 804
Pensioners medical aid contributions	2 519 795	2 123 854
Less: Employee costs capitalised to Property, Plant and Equipment	(2 641 024)	(657 455)
<b>Total Employee Related Costs</b>	<u>393 064 515</u>	<u>361 199 470</u>

There were no advances to employees. Loans to employees are set out in note 13.

**Remuneration of the Municipal Manager**

Annual Remuneration	518 290	591 436
Annual Bonus	39 000	-
Performance Bonuses	-	-
Housing Subsidy	-	-
Travel Allowance	171 412	-
Contributions to UIF, Medical and Pension Funds	107 325	-
<b>Total</b>	<u>836 027</u>	<u>591 436</u>

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

19 EMPLOYEE RELATED COSTS (continued)

Remuneration of Senior Managers and Managers

	Deputy Municipal Manager R	Dep M Manager Community Services R	Dep M Manager Technical Services R
<b>30 June 2012</b>			
Annual Remuneration	-	691 382	707 626
Annual Bonus	-	18 425	-
Performance Bonuses	-	58 126	67 814
Housing Subsidy	-	-	-
Travel Allowance	-	137 210	254 289
Contributions to UIF, Medical and Pension Funds	-	97 485	158 437
<b>Total</b>	<b>-</b>	<b>1 002 628</b>	<b>1 188 166</b>

	Deputy Municipal Manager R	Dep M Manager Community Services R	Dep M Manager Technical Services R
<b>30 June 2011</b>			
Annual Remuneration	398 990	663 305	628 714
Annual Bonus	-	55 275	-
Performance Bonuses	-	-	-
Housing Subsidy	-	-	-
Travel Allowance	71 985	109 565	231 692
Contributions to UIF, Medical and Pension Funds	111 343	159 803	127 541
<b>Total</b>	<b>582 318</b>	<b>987 948</b>	<b>987 947</b>

	Dep M Manager Financial Services R	Dep M Manager Corporate Services R	Dep M Manager City Development R
<b>30 June 2012</b>			
Annual Remuneration	811 946	779 736	648 588
Annual Bonus	61 287	-	-
Performance Bonuses	67 814	67 814	48 438
Travel Allowance	204 600	176 927	384 894
Contributions to UIF, Medical and Pension Funds	31 347	163 826	87 586
<b>Total</b>	<b>1 176 994</b>	<b>1 188 303</b>	<b>1 169 506</b>

	Dep M Manager Financial Services R	Dep M Manager Corporate Services R	D M Manager City Development R
<b>30 June 2011</b>			
Annual Remuneration	705 383	692 782	576 259
Annual Bonus	58 782	-	-
Entertainment	-	-	-
Performance Bonuses	-	-	-
Housing Subsidy	-	-	-
Travel Allowance	204 600	157 637	342 217
Contributions to UIF, Medical and Pension Funds	19 182	134 589	69 472
<b>Total</b>	<b>987 947</b>	<b>985 008</b>	<b>987 948</b>

## CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

## 19 EMPLOYEE RELATED COSTS (continued)

	Head Financial Services R	Head Civil Engineering R	Head Electrical Engineering R
<b>30 June 2012</b>			
Annual Remuneration	457 650	611 510	572 246
Annual Bonus	38 137	-	-
Entertainment	1 400	-	-
Housing Subsidy	851	-	-
Travel Allowance	200 483	253 191	-
Contributions to UIF, Medical and Pension Funds	181 646	168 516	-
<b>Total</b>	<b>880 167</b>	<b>1 033 217</b>	<b>572 246</b>
<b>30 June 2011</b>			
Annual Remuneration	407 366	564 960	481 662
Annual Bonus	35 952	-	-
Entertainment	1 283	-	-
Housing Subsidy	4 038	-	61 117
Travel Allowance	163 231	253 055	244 638
Contributions to UIF, Medical and Pension Funds	150 415	147 262	104 984
<b>Total</b>	<b>762 285</b>	<b>965 277</b>	<b>892 401</b>

	Head Management Services R	Head Water & Sanitation R
<b>30 June 2012</b>		
Annual Remuneration	305 100	266 962
Annual Bonus	38 137	-
Entertainment	933	817
Housing Subsidy	-	-
Travel Allowance	133 384	117 150
Contributions to UIF, Medical and Pension Funds	66 212	65 277
<b>Total</b>	<b>543 766</b>	<b>450 206</b>
<b>30 June 2011</b>		
Annual Remuneration	36 509	-
Annual Bonus	-	-
Entertainment	-	-
Housing Subsidy	-	-
Travel Allowance	17 255	-
Contributions to UIF, Medical and Pension Funds	6 468	-
<b>Total</b>	<b>60 232</b>	<b>-</b>

# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

### 19 EMPLOYEE RELATED COSTS (continued)

	Head Community & Public Participation R	Head Health & Public Safety R	Head Parks, Sports & Recreation R
<b>30 June 2012</b>			
Annual Remuneration	266 962	457 650	457 650
Annual Bonus	54 124	38 137	38 137
Entertainment	817	1 400	1 400
Housing Subsidy	-	-	-
Travel Allowance	115 530	200 483	200 483
Contributions to UIF, Medical and Pension Funds	162 176	160 084	185 786
<b>Total</b>	<b>599 609</b>	<b>857 754</b>	<b>883 456</b>
<b>30 June 2011</b>			
Annual Remuneration	432 153	432 586	432 716
Annual Bonus	35 952	35 952	35 952
Entertainment	1 400	1 400	1 400
Housing Subsidy	4 506	-	715
Travel Allowance	176 463	178 009	178 009
Contributions to UIF, Medical and Pension Funds	226 488	139 058	168 631
<b>Total</b>	<b>876 962</b>	<b>787 005</b>	<b>817 423</b>

### Special Advisor Air Pollution

	2012 R	2011 R
Annual Remuneration	-	72 637
Annual Bonus	-	-
Entertainment	-	233
Performance Bonuses	-	-
Housing Subsidy	-	1 004
Travel Allowance	-	29 573
Contributions to UIF, Medical and Pension Funds	-	592 873
<b>Total</b>	<b>-</b>	<b>696 320</b>

### 20 REMUNERATION OF COUNCILLORS

	2012 R	2011 R
Mayor	594 284	538 303
Deputy Mayor	479 635	415 946
Speaker	479 458	463 459
Executive Committee Members	4 048 392	3 390 028
Councillors	8 794 155	8 471 830
Councillors pension contribution	1 467 362	1 307 498
<b>Total Councillors Remuneration</b>	<b>15 863 286</b>	<b>14 587 064</b>

The Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor is also provided with a vehicle for business use at the cost of the Council.



# CITY OF uMHLATHUZE

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
<b>21 FINANCE COSTS</b>		
Long-term liabilities	82 480 951	88 507 547
<b>Total Interest on External Borrowings</b>	<b>82 480 951</b>	<b>88 507 547</b>
An amount of R22 563.77 relating to finance costs was capitalised to work in progress with 9.59% being the weighted average cost of funds borrowed by the municipality.		
<b>22 BULK PURCHASES</b>		
Electricity	756 049 083	578 673 988
Water	77 951 473	70 856 834
<b>Total Bulk Purchases</b>	<b>834 000 556</b>	<b>649 530 822</b>
<b>23 GRANTS AND SUBSIDIES PAID</b>		
Richards Bay Country Club	-	-
S P C A	293 800	239 200
uMhlathuze Tourism Association	241 877	322 114
Schools and uThungulu Community Forum	39 743	-
Zululand Expo	23 400	22 100
Sundries	184 205	65 400
Property Rates Relief	394 000	480 277
Port Dunford Flagship Programme	-	15 336
<b>Total Grants and Subsidies</b>	<b>1 177 025</b>	<b>1 144 427</b>
<b>24 CASH GENERATED FROM OPERATIONS</b>		
Surplus/(Deficit) for the year	(147 281 205)	(193 204 611)
Adjustment for:		
Depreciation	299 567 639	284 080 136
Amortisation	1 333 078	3 843 092
Post employment benefit expenses	28 941 000	38 794 000
Other grants received (excluded as non cash)	(142 397)	(146 538)
(Gain)/Loss on disposal of property, plant and equipment	-	(162 463)
Grant in aid ( excluded as non cash)	394 000	352 693
Movement in bad debt provision	3 000 000	1 500 000
Investment income	(4 012 177)	(2 564 696)
Interest paid	82 480 951	88 507 547
<b>Operating surplus before working capital changes:</b>	<b>264 280 889</b>	<b>220 999 160</b>
(Increase)/ Decrease in inventories	15 838 589	19 966 717
(Increase) in debtors	(60 896 385)	(843 538)
Decrease/ (Increase) in other debtors	(6 563 110)	(7 558 358)
(Decrease)/ Increase/ in unspent conditional grants and receipts	23 045 822	(17 208 619)
(Decrease)/ Increase in creditors	38 933 085	(10 732 999)
(Increase)/ Decrease in VAT claimable	(3 156 879)	15 402 843
Increase in consumer deposits	2 360 197	6 008 666
<b>Cash generated from operations</b>	<b>273 842 208</b>	<b>226 033 872</b>

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
<b>25 ELECTRICITY AND WATER LOSSES</b>		
Water losses for the City of uMhlathuze calculated at a variable cost per kilolitre amounts to:		
Total Produced & Purchased (KL)	40 594 032	39 210 951
Total Sold (KL)	27 109 525	28 122 324
Water Loss in KL	13 484 507	11 088 627
% Loss	33.22%	28.28%
Variable Cost/Kl	R 1.19	R 1.16
	<b>16 046 563</b>	<b>12 862 807</b>

Water losses are attributable to the following reasons:

Non-technical reasons

Included in these losses is measured water through bulk meters supplying the Traditional Areas of Mkhwanazi South, North and Dube; however individual households are not metered yet hence not billed and therefore recorded as lost at this stage.

Bulk Measured but not billed - Traditional Rural Areas

Loss in Kilolitres	3 089 597	3 304 569
Loss in Rands	3 676 620	3 833 300

Technical reasons

Aged reticulation without sufficient replacement, refurbishment and maintenance.  
Incorrectly calibrated meters.

Electricity losses for the City of uMhlathuze calculated at a unit cost per kilowatt amounts to:

Total Purchased (KW)	1 545 187 297	1 460 959 032
Total Sold (KW)	1 287 817 498	1 377 108 701
Electricity Loss in KW	257 369 799	83 850 331
% Loss	16.66%	5.74%
Unit cost /KW	R 0.48	R 0.39
	<b>123 537 504</b>	<b>32 701 629</b>

Electricity losses are attributable to the following reasons:

Technical reasons

Electrical resistivity in the network  
Ageing of network without sufficient equipment replacement, refurbishment and maintenance  
Incorrect meter calibration and monitoring

Non-technical reasons

Theft, unmetered supply and error in metering

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>26 ADDITIONAL DISCLOSURE</b>		
<b>26.1 Contributions to SALGA</b>		
Council subscriptions	1 871 555	1 723 098
Amount paid	<u>(1 871 555)</u>	<u>(1 723 098)</u>
<b>26.2 Audit fees</b>		
Amount paid - current year	<u>2 019 699</u>	<u>1 656 852</u>
<b>26.3 PAYE and UIF</b>		
Opening balance	4 283 918	3 877 660
Current year payroll deductions	54 708 055	53 901 773
Amount paid - current year	(50 484 704)	(49 617 855)
Amount paid - previous year	<u>(4 283 918)</u>	<u>(3 877 660)</u>
<b>Balance unpaid (Included in creditors)</b>	<u><b>4 223 351</b></u>	<u><b>4 283 918</b></u>

The balance represents June's contribution paid over in July.

**26.4 Pension and Medical Aid Deductions**

Opening balance	7 223 986	3 864 983
Current year payroll deductions	90 261 239	85 524 104
Amount paid - current year	(85 442 105)	(78 300 118)
Amount paid - previous year	<u>(7 223 986)</u>	<u>(3 864 983)</u>
<b>Balance unpaid (Included in creditors)</b>	<u><b>4 819 134</b></u>	<u><b>7 223 986</b></u>

The balance represents continued members contributions received in advance.

**26.5 Councillor's Arrear Consumer Accounts**

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2012

	<b>Total</b>	<b>Outstanding Less Than 90 Days</b>	<b>Outstanding More Than 90 Days</b>
None	-	-	-
<b>Total Councillor Arrear Consumer Account</b>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>-</b></u>

**30 June 2011**

Councillor Shangase LB	1 758	1 624	134
<b>Total Councillor Arrear Consumer Account</b>	<u><b>1 758</b></u>	<u><b>1 624</b></u>	<u><b>134</b></u>

During the year the following Councillor's had arrears accounts outstanding for more than 90 days.

The following represents the highest amount outstanding:

	<b>Highest Amount Outstanding</b>	<b>Ageing</b>
<b>30 June 2012</b>		
None		

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
<b>27 CAPITAL COMMITMENTS</b>		
Commitments in respect of capital expenditure:		
Approved and contracted for	26 557 237	105 214 081
Approved but not yet contracted for	179 925 863	115 520 119
<b>Total capital commitments</b>	<b>206 483 100</b>	<b>220 734 200</b>
 This expenditure will be financed from:		
Internal Sources	46 567 500	18 152 200
External Loans	58 372 100	100 000 000
Grants	101 543 500	102 582 000
	<b>206 483 100</b>	<b>220 734 200</b>

**28 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS**

Guarantees by City of uMhlathuze in respect of building society and commercial bank housing loans to officials.

<b>43 500</b>	<b>43 500</b>
---------------	---------------

Guarantee by City of uMhlathuze in respect of Postal services.

<b>200 000</b>	<b>200 000</b>
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There is a dispute between Council and WJ Building and Civil Engineering CC regarding a variation incurred in a contract awarded for the Widening of Main Road Empangeni - contract 222/672/28. As to whether Council will be absolved of any liability is not known at this stage as such matter will server in the High Court shortly.

**29 POST EMPLOYMENT MEDICAL BENEFITS (Defined benefit obligation)**

The Municipality operates on 5 accredited medical aid schemes, namely: Bonitas, Hosmed, Keyhealth, LA Health and Samwumed.

Pensioners continue on the option they belonged to on the day of their retirement. The independant valuers, IAC, carried out a statutory valuation for the year ended 30 June 2012.

There are no planned assets.

The principal actuarial assumptions used were as follows:

Discount rate per annum	9%	9%
Health care cost inflation rate	7%	8%
Net effective discount rate	1%	1%
Benchmark inflation (equal to salary inflation)	6%	8%
Average retirement age	55	65
Proportion continuing membership at retirement	95%	95%
Proportion of retiring members who are married	90%	90%

**The amounts recognised in the Statements of Financial Position were determined as follows:**

Present Value of the obligation	218 332 000	189 391 000
Unrecognised actuarial gain / (loss)	-	-
<b>Liability in the Balance Sheet</b>	<b>218 332 000</b>	<b>189 391 000</b>

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>29 POST EMPLOYMENT MEDICAL BENEFITS (continued)</b>		
<b>Movements in the defined benefit obligation is as follows:</b>		
Balance at the beginning of the year	189 391 000	150 597 000
Current service cost	14 904 000	13 724 000
Interest cost	16 288 000	14 307 000
Benefits paid	(2 251 000)	(2 126 000)
Actuarial (gain) loss on obligation	-	12 889 000
	<b>218 332 000</b>	<b>189 391 000</b>

**The amounts recognised in the Statement of Financial Performance were as follows:**

Current service cost	14 904 000	13 724 000
Interest cost	16 288 000	14 307 000
Actuarial gain loss recognised during the year	-	12 889 000
Benefit paid	(2 251 000)	(2 126 000)
Net amount recognised in the Statement of Financial Performance	<b>28 941 000</b>	<b>38 794 000</b>

**30 PROVISIONS**

	<b>Staff Leave</b>	<b>Staff Bonuses</b>
<b>30 June 2012</b>		
Carrying amount at the beginning of the year	9 982 132	8 346 490
Increase/(decrease) during the year	1 118 642	822 805
Carrying amount at the end of the year	<b>11 100 774</b>	<b>9 169 295</b>
<b>30 June 2011</b>		
Carrying amount at the beginning of the year	9 561 973	7 231 707
Increase/(decrease) during the year	420 159	1 114 783
Carrying amount at the end of the year	<b>9 982 132</b>	<b>8 346 490</b>

**Staff leave**

Annual leave accrues to employees on a monthly basis, subject to certain conditions. The provision is an estimate of the amount due to staff as at financial year-end, based on the value of statutory and non-statutory leave.

**Staff bonuses**

Bonuses accrue to staff on an annual basis based on their anniversary month. The provision is an estimate of the amount due to staff as at the financial year-end.

**31 EVENTS AFTER THE REPORTING DATE**

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

**32 PRIOR PERIOD ERROR**

**Restatement of Property, plant and equipment (accumulated depreciation)**

During the year the municipality discovered that the depreciation on infrastructure and community assets was overcharged.

The impact of this adjustment is as follows:

Amount as previously stated in the Financial statements	6 328 265 231
Correction of accumulated depreciation	(12 032 828)
<b>Restated Property, plant and equipment (accumulated depreciation) at 30 June 2011</b>	<b>6 316 232 403</b>

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
<b>32 PRIOR PERIOD ERROR (continued)</b>		
<b>Restatement of Investment Properties (Accumulated depreciation)</b>		
During the year, the municipality discovered that the depreciation on investment properties was overcharged.		
Amount as previously stated in the Financial statements	9 487 219	
Correction of accumulated depreciation	(39 373)	
<b>Restated Investment Properties (Accumulated depreciation) at 30 June 2011</b>	<b><u>9 447 846</u></b>	
 <b>Restatement of Intangible assets ( Accumulated Depreciation)</b>		
During the year, the municipality discovered that the depreciation on intangible assets was overcharged.		
The impact of this adjustment is as follows:		
Amount as previously stated in the Financial statements	8 332 332	
Correction of accumulated depreciation	(690 954)	
<b>Restated Intangible assets (accumulated depreciation) at 30 June 2011</b>	<b><u>7 641 378</u></b>	
 <b>Restatement of Inventory Land</b>		
During the year, the municipality discovered inventory land previously not accounted for in the accounting records.		
The impact of this error is as follows:		
Balance as previously stated in the Financial statements	62 158 000	
Inventory land not previously recognised	7 371 930	
<b>Restated Inventory Land at 30 June 2011</b>	<b><u>69 529 930</u></b>	
 <b>Restatement of Accumulated Surplus</b>		
Balance as previously stated in the Financial statements	3 498 167 984	
Inventory land not previously recognised	7 371 930	
Correction of accumulated depreciation	12 763 155	
<b>Restated Accumulated Surplus Balance at 30 June 2011</b>	<b><u>3 518 303 069</u></b>	

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**2012**      **2011**  
**R**              **R**

**33 SECTION 45 OF SUPPLY CHAIN MANAGEMENT REGULATIONS DISCLOSURE**

The municipality did business with the following companies who has members/directors who are in the service of the state:

<b>Company</b>	<b>Person</b>	<b>Service Department</b>	<b>Amount</b>	
UWP Consulting (Pty) Ltd	RR Sumbana	Limpopo Province: Local Government	80 000	-
Bigen Africa (Pty) Lidd	I Abedian	Department Mineral Resources	149 318	-
Protea Coin Group (Pty) Ltd	DM Moisi	Department of Housing	15 176	-
Zanele Building & Civil Construction	RZ Buthelezi	Kwazulu Natal: Education	59 114	-
Premier Hotels & Resorts	JE Smith	National Department of Justice	3 750	-
Bikwayo Trading CC	CL Xaba	Kwazulu Natal: Education	16 117	-
RB Blinds	R Boshoff	Gauteng : Education	22 287	-
Philisanani Trading Enterprise	TL Mkhize	Kwazulu Natal: Health	119 208	-
Bongamagugu Multi Services	RG Hlongwane	Kwazulu Natal: Education	15 000	-
Isipho Samabomvu Construction	NG Ngubane	Kwazulu Natal: Education	29 400	-
Amouti Trading CC	L Augustine	Kwazulu Natal: Health	245 414	-
Nashua Mobile	D Nchoba	National Department Arts & Culture	22 368	-
			<b>777 152</b>	

The municipality does not have the facility of verifying members/directors of companies who are in the service of the state at the date of award of contracts. It be noted that only the office of the auditor general has access to such facility. This matter has been raised with the National, Provincial Treasury and the auditor general with a view of finding a solution.

**34 DEVIATIONS FROM PROCUREMENT PROCESSES**

Section 37(2) of Supply Chain Management Policy has been complied with.

**35 GENERAL EXPENSES**

Included as part of general expenses are the following:

Uniforms	1 684 379	1 595 702
Bank charges	1 189 739	1 041 258
Community facilitation	2 228 899	1 894 154
External audit fees	2 019 699	1 656 852
Fuel and oil	12 447 969	10 269 586
Insurances	4 711 802	4 518 628
Indigent services rendered	4 183 083	5 156 356
Legal fees	2 375 278	2 456 355
Licences and permits	1 405 198	1 125 084
Membership fees	2 063 563	1 910 770
Postage	1 133 786	1 083 563
Printing and Stationery	2 671 513	2 380 605
Programming material	4 365 331	3 733 810
Publicity	1 132 157	1 096 926
Rent equipment and vehicles	2 870 708	279 568
Waste disposal	2 529 023	2 071 574
Skills levy	3 219 604	2 894 384
Telephone	1 586 333	1 918 734
Research fund	621 766	495 058
Sport development	1 069 355	930 224
Stores and materials	902 526	942 079
Subsistence and travelling	1 225 429	754 298
Valuation roll	1 268 781	1 101 569
Sundries	10 638 357	8 834 908
<b>Total</b>	<b>69 544 278</b>	<b>60 142 045</b>

**CITY OF uMHLATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>
<b>36 OPERATING LEASES</b>		
	<b>2012</b>	<b>2011</b>
	<b>R</b>	<b>R</b>

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Within one year	2 400	2 400
In the second to fifth year inclusive	9 600	9 600
After five years	-	-
<b>Total</b>	<b>12 000</b>	<b>12 000</b>

Operating lease payments represent rentals payable by the municipality for certain of its office properties. No contingent rent is payable.

**37 RELATED PARTY TRANSACTIONS**

There were no related party transactions that occurred during the financial year.

**38 CHANGE IN ACCOUNTING ESTIMATE**

A change in the estimated useful lives of certain infrastructure assets and community assets with that were reaching their estimated useful lives has resulted in the following change in depreciation.

Depreciation according to initial estimated useful lives	64 872 651
Depreciation according to re-estimated useful lives	33 778 665
Reduction in depreciation	<u>31 093 986</u>



**CITY OF UMHATHUZE**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012**

**39 COMPARISON OF ACTUAL WITH BUDGET**

REVENUE	2012		2011		Explanation of significant variance greater than 10% versus budget
	2012 ACTUAL	ADJUSTED BUDGET	2012 VARIANCE	2011 VARIANCE (%)	
Property Rates	204 613 796	204 650 000	(36 204)	(0)	
Service Charges	1 206 759 627	1 210 840 000	(4 080 373)	(0)	Budgeted revenue from rental was adjusted downwards due to the uncertainty of continuation of leases as the was a plan for disposing properties that were rented out. The sales didn't materialise and hence the leases were continued.
Rental of Facilities and Equipment	16 132 869	13 096 000	3 036 869	23	
Interest Earned-External Investments	4 012 177	1 200 000	2 812 177	234	Increase in funds available for investments during the year.
Interest Earned-Outstanding Debtors	1 639 381	1 359 800	279 581	21	Increase in amounts outstanding by debtors
Fines	3 004 784	2 046 600	958 184	47	Greater emphasis placed on the recovery of fines
Licences and Permits	1 831 263	1 638 600	192 663	12	
Income For Agency Services	5 922 207	5 300 000	622 207	12	There was undercollection of income from agency fees at adjustment budget stage and the budget was adjusted down. The revenue increased in the last quarter of the financial year.
Government Grants and Subsidies	231 543 392	269 269 100	(37 725 708)	(14)	
Public Contributions	644 188	770 000	(125 812)	(16)	
Other Income	31 611 923	18 701 200	12 910 723	69	Increased revenue on extension fees, connection fees and other sundries during the year.
Gains on Sale Of Land	5 857 088	-	5 857 088	-	
Gains on Disposal of Property, Plant and Equipment	-	-	-	-	
Inter-Departmental Charges	-	-	-	-	
<b>Total Revenue</b>	<b>1 713 572 695</b>	<b>1 728 871 300</b>	<b>(15 298 605)</b>	<b>(1)</b>	
<b>EXPENDITURE</b>					
Employee related costs	393 064 515	410 246 900	(17 182 385)	(4)	
Remuneration of Councillors	15 863 285	16 551 200	(687 915)	(4)	
Bad debts	3 000 000	745 000	2 255 000	303	Amount includes the provision for doubtful debts which was increased during the year.
Collection costs	56 956	112 000	(55 044)	(49)	
Depreciation and amortisation	300 900 717	301 275 900	(375 183)	(0)	
Post employment benefits expenses	28 941 000	-	28 941 000	-	
Conditional grant expenditure	7 744 926	6 731 100	1 013 826	15	Spending on conditional grants improved to reduce the unspent conditional grants.
Repairs and maintenance	40 270 918	57 158 700	(16 887 782)	(30)	
Finance costs	82 480 951	90 412 700	(7 931 749)	(9)	
Bulk purchases	834 000 556	784 613 300	49 387 256	6	
Contracted services	83 808 772	80 654 200	3 154 572	4	
Grants and subsidies paid	1 177 025	2 215 300	(1 038 275)	(47)	
General expenses	69 544 278	140 919 600	(71 375 322)	(51)	
Inter-Departmental Charges	-	-	-	-	
<b>Total Expenditure</b>	<b>1 860 853 899</b>	<b>1 891 635 900</b>	<b>(30 782 001)</b>	<b>(2)</b>	
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(147 281 205)</b>	<b>(162 764 600)</b>	<b>15 483 396</b>	<b>1</b>	

**APPENDIX A**

**CITY OF UMHLATHUZE : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2012**

EXTERNAL LOANS	Interest Rate	Loan Number	Redeemable	Balance at 30/06/2011 R	Received during the period R	Redeemed/ written off during the period R	Balance at 30/06/2012 R	Carrying Value Property, Plant & Equipment R	Other costs in accordance with MFMA
<b>LONG-TERM LOANS</b>									
Development Bank of SA	12.00%	10593	2018/03/31	4 903 905	-	479 464	4 424 441	229 925	
Development Bank of SA	12.00%	10594	2017/03/31	2 168 319	-	264 200	1 904 119	540 699	
Development Bank of SA	12.00%	10595	2017/03/31	8 141 040	-	991 949	7 149 091	2 005 619	
Development Bank of SA	12.00%	10596	2017/03/31	1 894 447	-	230 830	1 663 617	823 625	
Development Bank of SA	14.50%	10597	2018/03/31	6 259 692	-	563 277	5 696 415	880 610	
Development Bank of SA	12.00%	10600	2017/03/31	3 694 731	-	450 187	3 244 544	725 076	
Development Bank of SA	12.00%	10601	2017/03/31	2 196 065	-	267 580	1 928 485	53 904	
Development Bank of SA	12.00%	10602	2017/03/31	555 502	-	67 686	487 816	120 039	
				29 813 701	-	3 315 173	26 498 528	5 379 497	-
<b>INCA</b>									
Development Bank of SA	13.95%	UMHL	2019/06/30	11 722 512	-	963 305	10 759 207	15 036 937	
Standard Bank	16.16%	11665	2010/12/31	-	-	-	-	-	
Nedbank	*1	357636	2015/03/31	51 444 043	-	10 071 958	41 372 085	53 833 891	
	*2	05/7831	2016/06/30	52 943 526	-	9 425 240	43 518 286	24 780 845	
			2019/06/28	189 644 525	-	17 198 971	172 445 554	120 432 947	
<b>INCA</b>									
Development Bank of SA	8.75%	103170	2018/12/31	206 816 865	-	18 445 097	188 371 768	76 869 745	
Development Bank of SA	11.70%	103494	2019/06/30	29 723 157	-	2 906 590	26 816 567	10 981 392	
Development Bank of SA	6.75%	103494	2019/06/30	87 851 757	-	7 144 557	80 707 200	31 375 406	
Nedbank	11.57%	05/7831/2	2019/12/31	171 481 878	-	12 924 930	158 556 948	142 384 697	
Nedbank	11.26%	05/7831/2	2019/12/31	-	78 000	(266 418)	78 266 418	22 209 177	
<b>TOTAL EXTERNAL LOANS</b>				831 441 964	78 000	82 129 403	827 312 561	503 284 534	-

\*1 = JIBAR plus 1.218%

\*2 = Prime less 3.249%

## CITY OF UMWLATHUZE : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

55

APPENDIX B (continued)

CITY OF Umhlathuze : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost/Revaluation				Accumulated Depreciation						Carrying Value R
	Opening Balance R	Additions R	Under Construction R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Transfers R	Disposals R	Closing Balance R	
Heritage Assets											
Painting & Art Galleries	68 702	-	-	-	68 702	-	-	-	-	-	68 702
	68 702	-	-	-	68 702	-	-	-	-	-	68 702
Other Assets											
Bins & Containers	4 832 401	-	56 296	-	4 888 697	3 068 597	478 338	-	-	3 546 935	1 341 762
Buildings	171 477 643	-	64 211	428 498	171 968 350	57 882 112	8 167 343	-	-	65 859 455	106 108 895
Emergency Equipment	305 561	-	-	-	305 561	106 450	27 548	-	-	133 999	171 562
Furniture & Fittings	9 217 482	-	171 600	-	9 389 082	6 530 576	854 823	-	-	7 385 399	2 003 683
Housing	72 036 586	(46 000)	-	622 772	72 613 358	22 588 832	1 696 607	-	-	24 285 439	48 327 919
Land Main Investments	69 169 075	-	-	-	69 169 075	50 093 252	-	-	-	50 093 252	19 075 823
Motor Vehicles	92 994 953	-	15 455 579	-	108 450 532	52 445 603	13 776 348	-	-	66 221 963	42 228 585
Office Equipment	24 139 263	3 785	739 614	-	24 879 187	17 907 704	2 489 748	1 265	(3 475)	20 395 242	4 483 945
Plant And Equipment	56 436 540	(12 071 128)	415 435	-	44 780 847	31 213 874	5 204 219	(2 757 554)	-	33 660 539	11 120 308
Water/Craft	352 552	-	-	-	352 552	86 346	87 168	-	-	173 514	179 038
	500 962 057	(12 113 343)	16 902 735	1 049 268	506 797 241	241 733 348	32 782 142	(2 756 289)	(3 475)	271 755 728	235 041 519
Total	10 788 657 681	(13 549 000)	30 617 998	45 952 482	10 851 675 685	6 316 232 401	299 544 242	-	(3 475)	6 615 773 169	4 235 902 522

APPENDIX C

CITY OF UMHLATHUZE : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2012

	Cost			Accumulated Depreciation				Carrying Value
	Opening Balance	Transfers	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	
	R		R	R	R	R	R	R
Budget & Treasury Office	1 732 450	-	57 665	-	-	1 790 115	1 427 401	255 372
Community & Social Services	257 652 588	-	204 841	387 996	-	258 245 425	97 873 875	147 225 237
Corporate Services	756 336 291	(13 503 000)	16 176 577	511 549	-	759 521 418	96 549 935	640 432 898
Electricity	512 019 989	-	7 783 601	493 627	-	520 297 217	181 616 526	314 249 427
Executive & Council	5 649 125	-	-	-	-	5 649 125	1 084 735	4 394 048
Health	934 304	-	17 128	-	-	951 431	797 490	105 353
Housing	72 036 586	(46 000)	-	622 772	-	72 613 358	22 588 832	48 327 919
Other	14 700	-	-	-	-	14 700	14 700	(0)
Planning & Development	5 405 447	-	271 361	-	-	5 676 807	4 200 927	1 225 696
Public Safety	30 743 087	(2 501 355)	88 525	-	-	28 330 257	13 537 987	13 073 138
Road Transport	3 253 067 953	2 501 355	2 237 245	-	-	3 257 806 553	2 001 443 860	1 172 826 648
Sport & Recreation	194 898 167	-	250 914	644 065	-	195 793 146	49 053 501	137 886 174
Waste Management	13 290 708	-	52 500	-	(2 566)	13 340 641	5 019 647	7 344 114
Waste Water Management	1 250 444 522	-	1 437 291	40 549 406	(455)	1 292 430 764	698 813 312	559 548 215
Water	4 434 431 764	-	2 040 351	2 743 067	(455)	4 439 214 728	3 142 209 676	1 189 008 285
<b>Total</b>	<b>10 788 657 681</b>	<b>(13 549 000)</b>	<b>30 617 998</b>	<b>45 952 482</b>	<b>(3 475)</b>	<b>10 851 675 685</b>	<b>6 316 232 404</b>	<b>4 235 902 522</b>

# APPENDIX D

## CITY OF UMHLATHUZE: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2012

	2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/(Deficit) R		2012 Actual Income R	2012 Actual Expenditure R	2012 Surplus/(Deficit) R
	-	43 112 374	(43 112 374)	Executive & Council	268 113	51 002 613	(50 734 500)
	9 758 423	145 475 565	(135 717 142)	Corporate Services	26 651 607	153 560 684	(126 909 077)
	275 913 270	48 543 983	227 369 287	Budget & Treasury Office	317 957 748	50 116 555	267 841 193
	2 057 955	17 580 424	(15 522 469)	Planning & Development	1 981 226	19 529 903	(17 548 677)
	5 854 325	23 867 267	(18 012 942)	Health	9 164 208	25 455 316	(16 291 108)
	3 649 940	61 852 145	(58 202 205)	Community & Social Services	6 226 360	64 037 783	(57 811 423)
	3 499 267	8 303 174	(4 803 907)	Housing	2 908 541	5 477 006	(2 568 465)
	3 637 664	72 661 149	(69 023 485)	Public Safety	4 970 998	75 833 837	(70 862 839)
	4 141 393	104 326 166	(100 184 773)	Sport & Recreation	4 389 931	113 330 515	(108 940 584)
	52 481 681	85 773 101	(33 291 420)	Waste Management	61 322 236	78 007 846	(16 685 610)
	106 924 670	120 449 333	(13 524 663)	Waste Water Management	131 652 479	153 634 961	(21 982 482)
	7 742 687	181 069 818	(173 327 131)	Road Transport	9 491 647	189 460 627	(179 968 980)
	272 817 896	343 750 867	(70 932 971)	Water	262 552 924	357 130 583	(94 577 659)
	800 427 973	828 059 705	(27 631 732)	Electricity	997 655 968	1 026 099 372	(28 443 404)
	438 582	133 997	304 585	Other	8 850 855	79 932	8 770 923
	1 549 345 726	2 084 959 068	(535 613 342)	Sub Total	1 846 044 841	2 362 757 533	(516 712 692)
	(111 619 142)	(454 027 873)	342 408 731	Less: Inter- Dep Charges	(132 472 164)	(501 903 651)	369 431 487
	<b>1 437 726 584</b>	<b>1 630 931 195</b>	<b>(193 204 611)</b>	<b>Total</b>	<b>1 713 572 677</b>	<b>1 860 853 882</b>	<b>(147 281 205)</b>

# APPENDIX E(1)

## CITY OF UMLATHUZE : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

REVENUE	2012			2011	VARIANCE (%)	Explanation of significant variance greater than 10% versus budget
	2012 ACTUAL	ADJUSTED BUDGET	2012 VARIANCE			
Property Rates	204 613 796	204 650 000	(36 204)	(0)		
Service Charges	1 206 759 627	1 210 840 000	(4 080 373)	(0)		
						Budgeted revenue from rental was adjusted downwards due to the uncertainty of continuation of leases as the was a plan for disposing properties that were rented out. The sales didn't materialise and hence the leases were continued.
Rental of Facilities and Equipment	16 132 869	13 096 000	3 036 869	23		
Interest Earned-External Investments	4 012 177	1 200 000	2 812 177	234		
Interest Earned-Outstanding Debtors	1 639 381	1 359 800	279 581	21		
Fines	3 004 784	2 046 600	958 184	47		
Licences and Permits	1 831 263	1 638 600	192 663	12		
						There was undercollection of income from agency fees at adjustment budget stage and the budget was adjusted down. The revenue increased in the last quarter of the financial year.
Income For Agency Services	5 922 207	5 300 000	622 207	12		
Government Grants and Subsidies	231 543 392	269 269 100	(37 725 708)	(14)		
Public Contributions	644 188	770 000	(125 812)	(16)		
Other Income	31 611 923	18 701 200	12 910 723	69		
Gains on Sale Of Land	5 857 088	-	5 857 088	-		
Gains on Disposal of Property, Plant and Equipment	-	-	-	-		
Inter-Departmental Charges	-	-	-	-		
<b>Total Revenue</b>	<b>1 713 572 695</b>	<b>1 728 871 300</b>	<b>(15 298 605)</b>	<b>(1)</b>		
<b>EXPENDITURE</b>						
Employee related costs	393 064 515	410 246 900	(17 182 385)	(4)		
Remuneration of Councillors	15 863 285	16 551 200	(687 915)	(4)		
						Amount includes the provision for doubtful debts which was increased during the year.
Bad debts	3 000 000	745 000	2 255 000	303		
Collection costs	56 956	112 000	(55 044)	(49)		
Depreciation and amortisation	300 900 717	301 275 900	(375 183)	(0)		
Post employment benefits expenses	28 941 000	-	28 941 000	-		
						Spending on conditional grants improved to reduce the unspent conditional grants.
Conditional grant expenditure	7 744 926	6 731 100	1 013 826	15		
Repairs and maintenance	40 270 918	57 158 700	(16 887 782)	(30)		
Finance costs	82 480 951	90 412 700	(7 931 749)	(9)		
Bulk purchases	834 000 556	784 613 300	49 387 256	6		
Contracted services	83 808 772	80 654 200	3 154 572	4		
Grants and subsidies paid	1 177 025	2 215 300	(1 038 275)	(47)		
General expenses	69 544 278	140 919 600	(71 375 322)	(51)		
Inter-Departmental Charges	-	-	-	-		
<b>Total Expenditure</b>	<b>1 860 853 999</b>	<b>1 891 635 900</b>	<b>(30 782 001)</b>	<b>(2)</b>		
<b>NET SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>(147 281 205)</b>	<b>(162 764 600)</b>	<b>15 483 396</b>	<b>1</b>		

## CITY OF UMHLATHUZE : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2012

	2012 ACTUAL R	2012 UNDER CONSTRUCTION R	2012 TOTAL ADDITIONS R	2012 ADJUSTED BUDGET R	2012 VARIANCE R	2012 VARIANCE %	Explanation of significant variances greater than 5% versus budget (Explanations To Be Recorded)
Budget & Treasury Office	268 767	211 102	57 865	-	268 767	-	
Community & Social Services	592 837	387 986	204 841	2 040 900	(1 448 063)	(71)	
Corporate Services	18 639 826	2 414 984	16 224 842	30 503 300	11 863 474	(39)	
Electricity	8 277 228	493 627	7 783 601	19 269 900	(10 992 672)	(57)	
Health	17 128	-	17 128	-	17 128	-	
Housing	622 772	622 772	-	20 000 000	(19 377 228)	(97)	
Other	8 308 779	8 308 779	-	-	8 308 779	-	
Planning & Development	271 361	-	271 361	34 300	237 061	-	
Public Safety	88 525	-	88 525	1 564 900	(1 476 375)	(94)	
Road Transport	2 237 245	-	2 237 245	18 781 400	(16 544 155)	(88)	
Sport & Recreation	894 979	644 065	250 914	2 310 300	(1 415 321)	(61)	
Waste Management	52 500	-	52 500	-	52 500	-	
Waste Water Management	42 022 806	40 549 406	1 473 400	63 793 100	(21 770 294)	(34)	
Water	4 747 307	2 743 067	2 004 240	20 479 200	(15 731 893)	(77)	
<b>Total</b>	<b>87 042 060</b>	<b>56 375 798</b>	<b>30 666 262</b>	<b>178 777 300</b>	<b>(68 008 292)</b>	<b>(38)</b>	



**APPENDIX F  
CITY OF UMHLATHUZE**

**DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (continued)**

Name of Grants	Name of organ of state	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/unsubsidised				Reasons for delayed/unsubsidising of funds	Did your municipality comply with the grant conditions in terms of grant agreement in terms of the provisions of the Revenue Act	Reasons for non-compliance
		Sept 2011	Dec 2011	Mar 2012	June 2012	Sept 2012	Dec 2011	Mar 2012	June 2012	Sept 2012	Dec 2011	Mar 2012	June 2012	Sept 2012		
Museum Subsidy	KZN - Dept of Education and Culture	-	125 000	-	-	125 000	254 023	275 363	322 519	1 123 239	-	-	-	-	Yes	
Primary Health Subsidy	KZN - Dept of Health	-	2 402 000	-	1 201 000	4 804 000	3 650 292	3 979 029	5 308 380	17 272 167	-	-	-	-	Yes	
Eastwinds Hotel Refurbishment	KZN - Dept of Housing	148 792	148 561	138 214	-	562 420	108 514	94 156	588 316	912 177	-	-	-	-	Yes	
Infrastructure Grants	KZN - Dept of Library Services	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Public Internet access - Brixton	KZN - Dept of Library Services	-	595 200	-	-	595 200	142 364	188 888	150 826	602 503	-	-	-	-	Yes	
Library Subsidy	KZN - Dept of Library Services	-	2 851 404	-	-	2 851 404	2 409 167	2 587 516	3 903 664	11 278 308	-	-	-	-	Yes	
Donation of assets	KZN - Dept of Local Gov and Trad Affairs	-	-	-	135 597	135 597	-	-	135 597	135 597	-	-	-	-	Yes	
Community Development Workers Programme	KZN - Dept of Local Gov and Trad Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Remunda Water Reading System	KZN - Dept of Local Gov and Trad Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Technical Support Grant	KZN - Dept of Local Gov and Trad Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
GIS Support	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Corridor Development	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	14 580	78 185	302 323	385 118	-	-	-	-	Yes	
Urban Development Framework Plan	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	-	-	-	38 807	-	11 829	50 437	-	-	-	-	Yes	
Extension to Richards Bay Airport	KZN - Dept of Co-Operative Governance and Traditional Affairs	-	-	3 086 823	8 405 185	9 472 008	-	-	8 308 779	8 308 779	-	-	-	-	Yes	
Upgrade of Vukile Sports Facility	KZN - Dept of Sport and Recreation	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	
Land Use Management	KZN - Dept of Local Gov and Trad Affairs	-	-	-	-	-	-	-	-	-	-	-	-	-	Yes	

APPENDIX F

CITY OF UMLATHUZE

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (continued)

Grants and Subsidies Received

Name of Grants	Name of organ of state	Quarterly Receipts				Quarterly Expenditure				Grants and Subsidies delayed/unreceived				Reason for delay in withholding of funds	Did your municipality comply with the grant conditions as set out in the grant agreement in the related Division of Revenue Act	Reasons for non-compliance
		Sept 2011	Dec 2011	Mar 2012	June 2012	Total 2011/2012 as per APS	Sept 2011	Dec 2011	Mar 2012	June 2012	Total 2011/2012 as per APS	Sept 2011	Dec 2011	Mar 2012	June 2012	Total 2011/2012 as per APS
Refurbishment of Pumpstation Grant	Nat - Dept of Water Affairs	-	-	-	-	(283 000)	-	-	-	-	-	-	-	-	-	-
Institutional Support	Nat - Dept of Water Affairs	-	-	-	(283 000)	(283 000)	-	-	-	-	(283 000)	-	-	-	-	(283 000)
Institutional Support (Water conservation and demand management project)	Nat - Dept of Water Affairs	-	-	-	-	-	77 220	87 669	4 181	430 842	599 942	-	-	-	-	-
Accelerated Infrastructure programme	Nat - Dept of Water Affairs	-	-	1 000 000	-	1 000 000	-	-	-	4134 300	4134 300	-	-	-	-	-
Regional Bulk Water Projects	Nat - Dept of Water Affairs	-	-	4 210 000	-	4 210 000	-	-	-	-	-	-	-	-	-	-
Recycling Project	KZN - Dept of Agriculture and Environmental Affairs	-	-	1 500 000	-	1 500 000	-	-	-	-	-	-	-	-	-	-
Chenestown Award	Nat - Dept of Water Affairs	-	-	-	-	-	80 749	167 351	49 900	2786	2786	-	-	-	-	-
Municipal Infrastructure Grant	Nat - Dept of Water Affairs	24 500 000	-	46 504 000	-	71 004 000	15 268 915	15 897 077	17 439 075	225 185	523 185	-	-	-	-	-
Financial Management Grant	National Treasury	1 450 000	-	-	-	1 450 000	463 020	232 070	196 026	463 842	1 344 956	-	-	-	-	-
Post-occupancy Grant	National Treasury	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipal Systems Improvement Grant (MSIG)	National Treasury	-	-	-	-	-	90 591	81 589	446 721	285 190	904 081	-	-	-	-	(128 000)
Equitable Share	National Treasury	67 073 000	29 367 000	60 981 000	(128 000)	161 782 000	-	-	-	-	-	-	-	-	-	(128 000)
Electricity	Nat - Dept of Minerals and Energy	-	-	-	4 361 000	4 361 000	-	-	-	-	-	-	-	-	-	-
Capacity Building	uThungulu District Municipality	-	-	-	(3 950 000)	(3 950 000)	-	8 590	-	(2 775 322)	(2 775 322)	-	-	-	-	(3 950 000)
Museum Subsidy	uThungulu District Municipality	-	-	-	-	-	748	-	-	-	9 367	-	-	-	-	-
Zulu Dance Competition	uThungulu District Municipality	-	-	-	-	-	20 000	-	-	-	20 000	-	-	-	-	-
Holding of S.M.A.E Fair	uThungulu District Municipality	-	5 000	-	-	5 000	-	-	-	-	-	-	-	-	-	-
Environmental Health Services	uThungulu District Municipality	-	-	3 257 027	1 085 671	4 342 698	1 905 795	1 987 002	2 019 577	2 401 820	8 324 194	-	-	-	-	-